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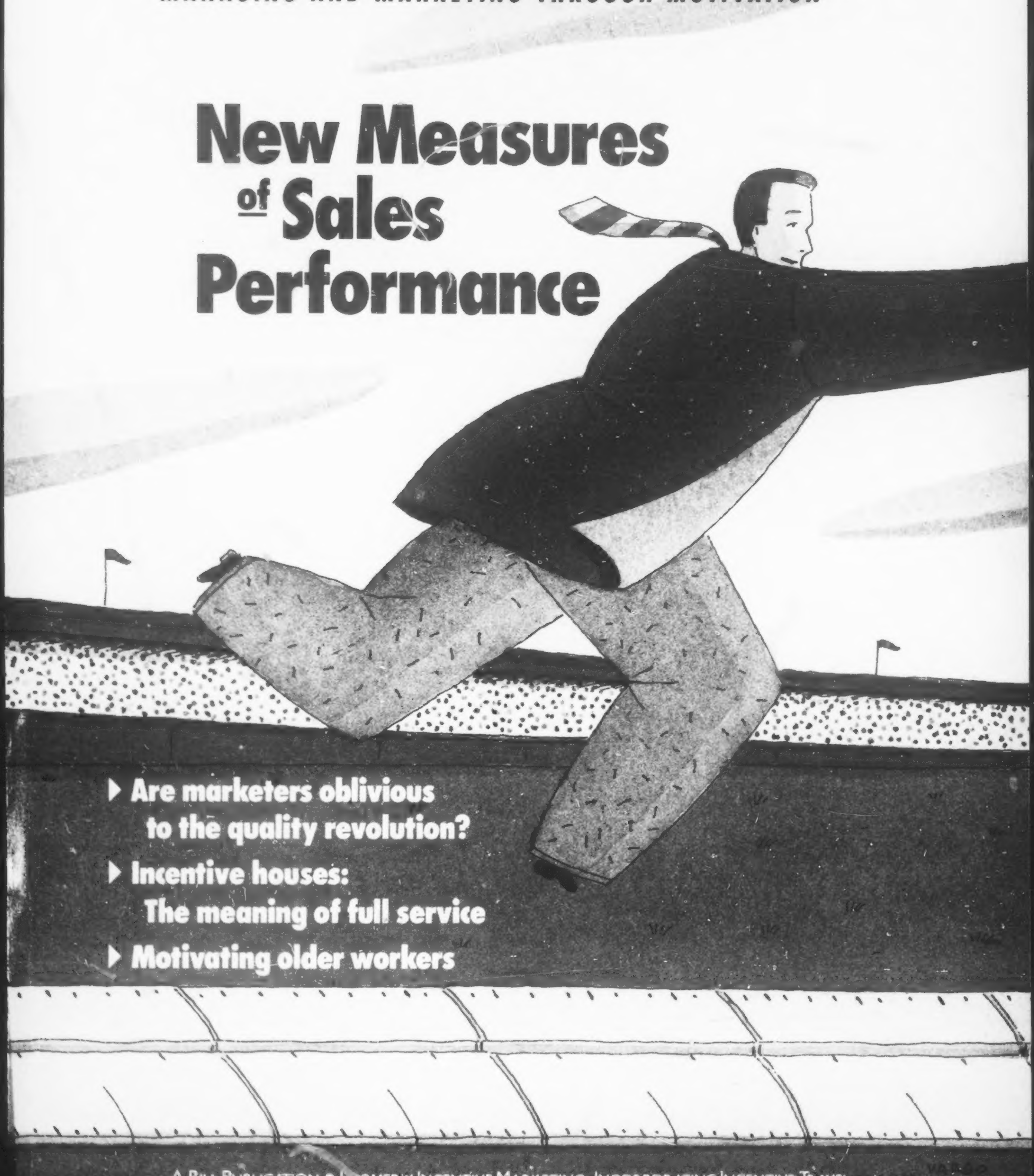
NOVEMBER 1988

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



New Measures of Sales Performance

- Are marketers oblivious to the quality revolution?
- Incentive houses: The meaning of full service
- Motivating older workers

A BILL PUBLICATION • FORMERLY INCENTIVE MARKETING, INCORPORATING INCENTIVE TRAVEL

NOVEMBER 1988

INCENTIVE

84th YEAR, VOL. 162, NO. 11

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QUALITY

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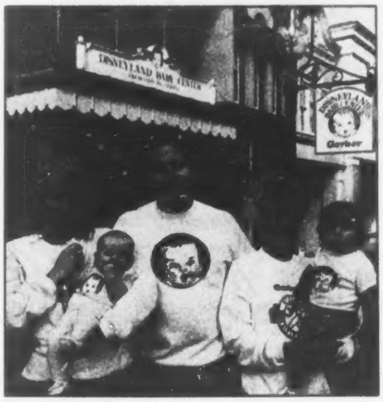

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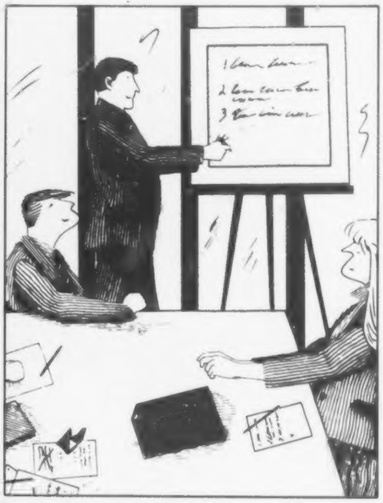

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EMPLOYEE MOTIVATION

Pre-Retirees

HOW TO KEEP THEM PRODUCTIVE

BY JOANNE LEVINE

Flexible hours, retraining and properly constructed incentive programs can keep this age group motivated and productive.

COMSTOCK

Progressive companies use the concept of "mentoring," in which older workers help train younger staff members.

Sitting idly at his desk, Joe turns to his calendar and counts the six months and four days he has left until retirement. Increasingly bored on the job, Joe finds that more than three years have passed since he felt challenged.

Joe's supervisor has another point of view. He claims that Joe's productivity has declined considerably in the past few years. The manager is unwilling to assign him any of the more challenging projects.

Does this situation exaggerate the state of workers approaching retirement? Hardly, experts claim. Many companies give up on "pre-retirees," assuming that older employees are just counting the days before retirement. "If a company treats its older workers as marginal, it becomes a self-fulfilling prophecy," said Martha Holstein, associate director for the San Francisco-based American Society on Aging.

The fault does not lie only with management. "Older workers need to revise their attitudes toward training and performance," said Ronald Pilenzo, president of the American Society for Personnel Administrators (ASPA), Alexandria, Va. Specifically, Pilenzo cited tunnel vision, an unwillingness to keep up with new technology, and a tendency to rest on past accomplishments.

Although no one can put a price tag on senior employee career problems, the costs are high, according to a nationwide survey of 600 human resource executives conducted by ASPA and the Commerce Clearing House. Career plateaus and skill obsolescence hurt the performance and morale of the senior employee and can spill over to co-workers and customers.

According to survey respondents, the consequences include: clogged promotion channels, which contribute to the loss of talented young employees; lower overall productivity in the senior worker's department, and damaged relationships with customers or clients. Morale problems are furthered when younger workers look upon stale older workers and think, "Is that what I have to look forward to?"

The pre-retiree problem becomes more acute as the American work force grows older. Today, the median age of the work force is 36 years old, compared with 34.7 years old in 1979.

Out of a total labor force of 122 million people, over 15 million—or better than 12 percent—are 55 years old and older, according to Diane Herz, an economist with the Washington-based Bureau of Labor Statistics. And the number is rising. "There will be a sharp increase in the number of 55-year-olds in the labor force by the year 2010," said Herz. "That is the year baby boomers start turning 55." The recent prohibition against mandatory retirement may add to the number of older workers.

Today, the average retirement age is 62 years old, according to Shirley Waldrum, senior program specialist for the Washington-based American Association of Retired Persons (AARP). But, "a recent Lou Harris survey showed that half the people who retired would have rather kept working," said Victoria Kaminski-da Rosa, a human resources consultant in Danville, Calif.

So what strategies can companies employ to keep older workers vital and productive? Start with programs for managers to reverse preconceived notions and negative stereotypes about older workers, the experts said. Invest in training for older workers. Consider such programs as "mentoring," phased-out retirement and incentives for keeping skills current.

Managers need to have a better understanding of older workers. "Our society is geared to youth," said Helen

HOW COMPANIES CAN KEEP PRE-RETIREES VITAL

Recommended Method	**Percentage***
▶ Annual performance appraisal and feedback regarding potential career problems	88
▶ Annual assessment to identify training needs	88
▶ Training and development	77
▶ Tuiton reimbursement	76
▶ Career counseling	74
▶ Job redesign	74
▶ Transfers to improve fit between employee and job requirements	71
▶ Incentives to retire early for workers who encounter problems	67
▶ Creation of new roles: mentors, consultants	60
▶ Incentives for pre-retirees to keep skills current	60

*Percentage of respondents who indicate a "moderate" to "high" need for corporate policy. From a study of 600 human resource executives conducted by the American Society for Personnel Administrators and Commerce Clearing House.

Dennis, project director for the Conference Board in New York and the University of Southern California's Androus Gerontology Center in Los Angeles. "This is reflected in the work force. Although age discrimination is illegal, many people believe that if a worker has not made it to the top by age 40, forget about them."

Added AARP's Waldrum: "Memory loss and increased resistance to learning new tasks are characteristics often associated with older workers. This is just not true."

Many older employees learn differently, if not better, than younger ones. "Mature learners tend to take new information and integrate it with their life experience," said Waldrum. "When younger people learn, they take it in raw and give it back" without as high a level of understanding. Managers need to better understand the psychology of older workers and their methods of learning, experts suggested. Associations on aging and human resources consultants offer such training.

Pre-retirees need training, too. "Whether it be in computers or new management skills, older workers should be part of the training process," said Benson Rosen, professor of business administration at the University of North Carolina at Chapel Hill. "If you deprive people of training opportunities, you hurt their self-esteem and, in turn, their performance. People respond negatively to being treated as second-class citizens," he added.

Sometimes, older workers have the capacity to work harder but feel bored or burned out. "Instead of getting rid of them, retrain them and help them find a new niche," recommended ASPA's Pilenzo. The investment is worthwhile, consultant Kaminski-da Rosa pointed out, because "older workers are less likely to bail out and go to a competitor with the new knowledge."

With mentoring, companies employ older workers to help train younger staff members. "Many pre-retirees want to leave something behind," said Dennis. "This new role enables pre-retirees to leave a lasting contribution. Mature workers have an extraordinary amount of knowledge to share. For example, Xerox has done this with new and old scientists. It has worked amazingly well."

Mentor programs send a signal to employees that older people are valued. "People who are 50 to 64 years old are primarily in the psychic-reward phase of life," said Richard Balkite, director of senior marketing for Stamford, Conn.-based Donnelley Marketing. "They want to be somewhat self-indulgent. A simple appeal to work harder and longer is largely going to fall on deaf ears. Companies should appeal to this audience's internal pride. That is why mentoring is successful."

Programs that give older workers the opportunity to gradually work less hours address another problem: fear of retirement. Phased-out retirement, for example, can provide the flexibility to keep pre-retirees happy, said

CAUSES OF PRE-RETIREE WORK PROBLEMS

Factors	**Percentage***
▶ Employee loss of motivation	67.0
▶ Poor performance appraisal system	65.1
▶ Poor career pathing	62.8
▶ Rapidly changing job duties	62.3
▶ Lack of incentives to keep skills current	58.2
▶ Lack of investment in training and development	56.2
▶ Meager incentive for early retirement	53.6
▶ Inflexibility in job assignments and transfers	51.9
▶ Employee physical decline	29.8
▶ Employee mental decline	16.5

*Percentage of respondents who indicate a "moderate" to "very great" effect. From a study of 600 human resource executives conducted by the American Society for Personnel Administrators and Commerce Clearing House.

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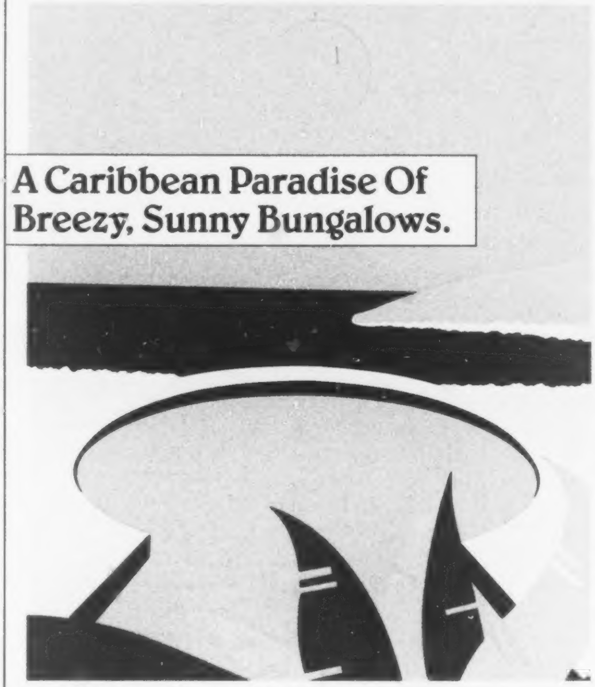

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James Weil, vice president of senior services for the Metropolitan Life Insurance Company, New York.

Hiring retired employees as "consultants"—in positions ranging from executive to clerical—is an emerging option. For example, the Hartford, Conn.-based Travelers Companies and New York-based AT&T have created job banks for retired workers. In these cases, a pool of retirees are kept on hand to work for the company.

"Aside from being a wonderful resource for the company—as retired workers are very loyal—it helps to motivate pre-retirees," said Ric Morency, national manager for the retired employees benefit organization at AT&T in Rolling Meadows, Ill. "It shows that there is a sense of continuity and a future if the worker so desires."

Pre-retirees look more toward nonmaterial, experiential rewards. A trip for two to an exotic destination of the winner's choice may be a good alternative, says a researcher.

Noted Prof. Rosen: "Companies that can afford to should sit down with employees in their 40's and 50's to figure out where they want to go in the future—both in their careers and their finances."

Many managers assume that older workers do not respond to incentives or recognition, but that is not so. Said consultant Kaminski-da Rosa: "All people respond to positive reinforcement. What is the reward system saying to pre-retirees? Are they still being promoted and given raises? Are they given fair and valid performance appraisals? Are they given new and challenging tasks? It is not what the company says, but what it does."

When developing any type of incentive or recognition program for older workers, an understanding of their psychology is of paramount importance. "People become more unique as they age," said Kaminski-da Rosa. "Whatever you were as a youngster, you are even more so when you are older."

This individuality should affect the selection of awards for older salespeople or other employees involved in an incentive program. The consultant recommended that companies confer with older employees about an incentive program if a relatively large number of them are involved.

A variety of award choices probably works best. "A catalogue filled with options is a good idea," said Kaminski-da Rosa. "Designating a trip to a specific destination at a designated time may not get the same response as a more flexible option."

Companies should examine the economic situation of their older employees when designing an incentive program. "For example, money is not going to have the same impact with upper-level management as it does with lower salaried employees," said Holstein of the American Society on Aging. "However, everyone appreciates recognition."

Recognition awards work particularly well because people aged 50 and over often experience an erosion of confidence, said Balkite of Donnelley Marketing. "Commemorative types of awards, such as plaques which can be displayed publicly, are a good idea," he said. "A feature article on an individual employee in the company's internal publication or annual report may be a unique avenue to recognize a worker. It shouldn't be just a fluff piece, but one that really pays homage to an employee's years of service."

Material awards such as cars and boats will not have as much impact on older workers as with younger ones, the experts said. "Pre-retirees look more toward nonmaterial, experiential things. A trip for two to an exotic destination of the winner's choice may be a good alternative," said Donnelley Marketing's Balkite.

Finally, pre-retirees may respond well to awards that provide a sense of financial security. "A company should try offering treasury bonds or some other secure financial investment," said Balkite. ☐

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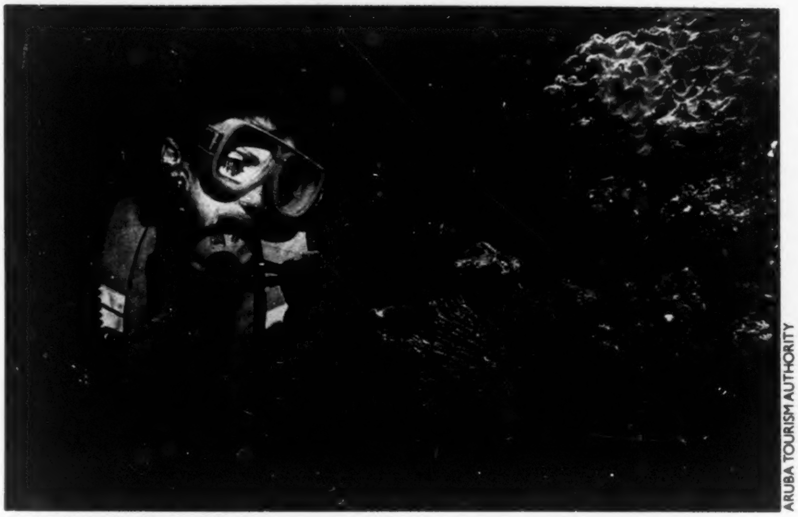

ARUBA TOURISM AUTHORITY

Scuba diving in the Caribbean

Islands

Elegant resorts are springing up throughout the Caribbean, while new attractions highlight Bermuda and Puerto Rico.

BY SYLVIA TIERSTEN

Nearly 500 years ago, Christopher Columbus accidentally landed in the West Indies and spent the rest of his life claiming the islands for his European patrons. Today's explorers include developers and hoteliers who know a good island when they see one —and are investing heavily in upscale tourism facilities throughout the West Indies.

In 1987, the Caribbean area attracted a record number of tourists: just under 10 million tourists, for an increase of 14 percent over 1986. A 6 percent increase is expected for 1988, according to the Caribbean Tourism Association. After Hawaii, California, Florida and Mexico, the Caribbean and Bahamas rank as the most popular incentive destinations, according to **Incentive** FACTS surveys. Bermuda had a record year in 1987, but tourism is off somewhat this year.

Elegant new resorts are springing up throughout the Caribbean area, while existing inventory is being spruced up and expanded. Even Hurricane Gilbert, which recently devastated Jamaica, will bring insurance dollars for repairing and refurbishing damaged properties. "When this work is finished, the island's top hotels will be even better than they were before," claims Marcia Bullock, manager of groups and conventions/Northeast for the Jamaica Tourist Board in New York. The tourism industry in Jamaica expects to be back on its feet for this winter season.

One difficulty that the Caribbean faces, says Valerie Troiano, sales manager for meetings and incentives at Divi Resorts in Ithaca, N.Y., is "that there are other regions of the world that have been focused for a long time on meetings and incentive travel. Unless we learn about some of the best techniques to market ourselves, we are going to be left in the dust."

One sign of the region's growing commitment to incentive travel is the formation of a Caribbean chapter of the Society of Incentive Travel Executives. The chapter office will be officially inaugurated in July 1989.

■ ARUBA

Last year was Aruba's best year for tourism, thanks to aggressive marketing programs that generated a 21.7 percent increase in U.S. visitors to the Dutch Caribbean destination. In 1977, the island had 2,000 guest rooms; look for that number to more than double by the end of 1990, says Watti Chai, director of the Aruba Tourist Bureau in New York.

Late next year, the 400-room Ramada Renaissance, a $15 million complex with suites, town houses and condominiums, will open its doors. A 40-acre island with Venetian-like canals will be the venue for the new 300-room Sonesta Hotel Aruba Beach Club & Casino, when it debuts next year. Divi Village, with 50 luxury suites and 50 additional guest rooms, is slated for a 1989 opening, as is Paradise Villas, a complex of 132 oceanfront apartments.

In 1990, a 360-room Hyatt Regency hotel and casino will open on Palm Beach. Also slated for 1990 is Harbor Town, with 240 rooms, a casino and a 200-slip marina. As yet, no completion date has been announced for the Five C's of Aruba Resort, which will include 500 rooms, a conference center and two professional 18-hole golf courses.

To keep up with the demand for upscale hotels, a number of properties are upgrading and expanding their facilities. Holiday Inn Aruba is adding 215 rooms for a total of 602. The redesigned Aruba Palm Beach, formerly under Sheraton management, is building 167 new rooms for a total of 369. The expanded Americana Aruba will offer 406 rooms, while the Divi Dutch Village is adding 70 studios for a total of 138. The all-suite Casa Del Mar, with 32 units, will have 142 by the end of 1989.

Unlike most Caribbean islands, Aruba has a dry,

Year-round balmy weather and proximity to the U.S. mainland continue to lure American guests to the glittering hotels and casinos of the Bahamas archipelago.

desert-like climate. Caracas, Venezuela, is just 40 minutes away by air; visitors contemplating this side trip are advised to bring along a passport.

De Palm Island, a reef island developed by De Palm Tours, caters to the incentive crowd with all manner of theme parties. Groups can sail over to the privately owned island by catamaran, ferry, yawl or glass-bottomed boat for a day of rest and relaxation, or stage a theme party in the 300-seat dining room and theater complex.

De Palm's Aruba Night opens with a sunset dinner cruise featuring native dishes and is followed by a folkloric show and dance contest on the island's Palm Terrace. Another theme evening is a Bonfire Bonanza—complete with beach barbecue, music played by a local steel band, and dancing around a romantic beach bonfire.

■ BAHAMAS

Year-round balmy weather and proximity to the U.S. mainland continue to lure American guests to the glittering hotels and casinos of the Bahamas archipelago. Bustling Nas-

COUNTRY	Shoulder season	Weather (Avg. temp./ rainy season)	U.S. gateway/ (Partial listing)	Largest group in one hotel	# of hotels able to handle groups over 300	New hotel rooms for incentives
▶ARUBA	None	Low to mid-80's; Oct.-Jan.	Miami, New York, Newark	600	7	1988 - 506 rooms 1989 - 874 rooms
▶BAHAMAS	May-June, Sept.-Nov.	75; none	11 gateways	1,500	20	1988 - 200 rooms 1989 - 1,140 rooms
▶BARBADOS	June-Oct.	75-85; July-Sept.	Baltimore, Boston, Chicago, Miami, New York, Philadelphia, Washington	500	8	1988 - 75 rooms 1989 - 60 rooms
▶BERMUDA	Unlike other islands, Bermuda's peak season is April-Oct. Off-peak is Jan.-March 15, Nov.-Dec.	Jan.: 58-67 Aug.: 85	Atlanta, Baltimore, Boston, Hartford, New York, Tampa, Washington	1,200	8	1988 - 30 rooms 1989 - None
▶JAMAICA	May, Sept.-Oct.	85; May, Oct.	Atlanta, Baltimore, Los Angeles, Memphis, Miami, New York, Philadelphia	1,000	6	1988 - None 1989 - 1,000 rooms
▶PUERTO RICO	Easter, Memorial Day, Labor Day, Thanksgiving	80's; Sept.-Oct.	13 gateways	1,000	8	1988 - 800 rooms 1989 - 1,200 rooms
▶ST. MARTIN	May-June	Sept.-Oct.	Boston, Dallas, Miami, New York	300	2	1988 - 600 rooms 1989 - None
▶U.S. VIRGIN ISLANDS	Oct.	82; Sept.-Oct.	Chicago, Miami, Newark, New York	500	24	1988 - 140 rooms 1989 - 265 rooms

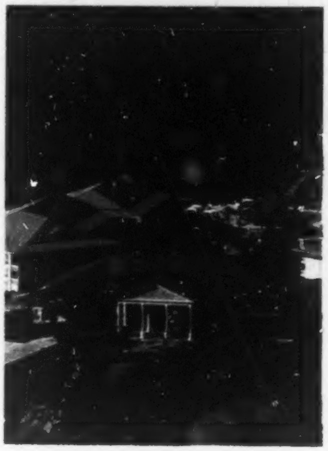
sau welcomes more than two million visitors annually.

Last March, the John Hancock Life Insurance Company rewarded 600 top-producing agents and their spouses with two back-to-back trips to the Cable Beach Hotel and Casino in Nassau. "The hotel has a fine function space, which enabled us to organize various activities and floor shows," says Frederick McManus, director of conferences, travel and visual communications for the Boston-based company.

John Hancock's sports-minded travelers took advantage of the hotel's championship golf and tennis facilities and tried out para-sailing and wind-surfing. A pool-side Junkanoo party on opening night featured local foods, island bands and an elaborate fireworks display. The highlight of the trip was a 40-minute sail to the private island of Blue Lagoon for volleyball, water sports and a barbecue lunch. The cost was approximately $45 per person.

Nassau's newest sightseeing attraction is Coral World, a $13 million underwater observatory and marine

Gambling	Recommended sites, things to do	Contact
Yes	Oranjestad (Dutch architecture), gold mill ruins, natural bridge of rocks, coral reef	Watti Chai, director Aruba Tourist Bureau 1270 Ave. of the Americas New York, N.Y. 10020 (212) 246-3030 or (800) TO-ARUBA
Yes	Blue Lagoon day trip to an outer island via catamaran, British forts from 18th century, botanical garden with flamingos	George Suhr, senior marketing consultant Bahamas Ministry of Tourism 255 Alhambra Circle, Ste. 415 Coral Gables, Fla. 33134 (305) 442-4867
No	Cruise aboard the Jolly Roger pirate ship replica, Bridgetown (17th century homes), dinner show at Barbados Museum, submarine trip	Shirley Monteil, incentive coordinator Barbados Board of Tourism 800 Second Ave. New York, N.Y. 10017 (212) 986-6516 or (800) 221-9831
No	Maritime museum, Royal Navy dockyard, 17th century forts, aquarium, moped rental	Dianne Carlson, manager Bermuda Department of Tourism 310 Madison Ave., Ste. 201 New York, N.Y. 10017 (212) 818-9800
No	Rose Hall Great House, Dunns River Falls, rafting on Martha Brae, plantation tours	Marcia Bullock, manager of groups and conventions/Northeast Jamaica Tourist Board 866 Second Ave. New York, N.Y. 10017 (212) 688-7650 or (800) 847-4279
Yes	Nearby islands of Culebra and Vieques, Old San Juan, Rio Camuy Cave Park, Bacardi rum distillery, El Yunque tropical rain forest	Ivy Deerman, director of sales San Juan-Puerto Rico Convention Bureau 1101 15th St. N.W. Washington, D.C. 20005 (202) 457-9262
Yes	Nearby deserted islands for day sail	Cecile Graffin, sales promotion director French West Indies Tourist Board 610 Fifth Ave. New York, N.Y. 10020 (212) 757-1125
No	Underwater coral observatory, sugar mill	Rafael Jackson, regional director U.S.V.I. Division of Tourism 1270 Ave. of the Americas New York, N.Y. 10020 (212) 582-4520



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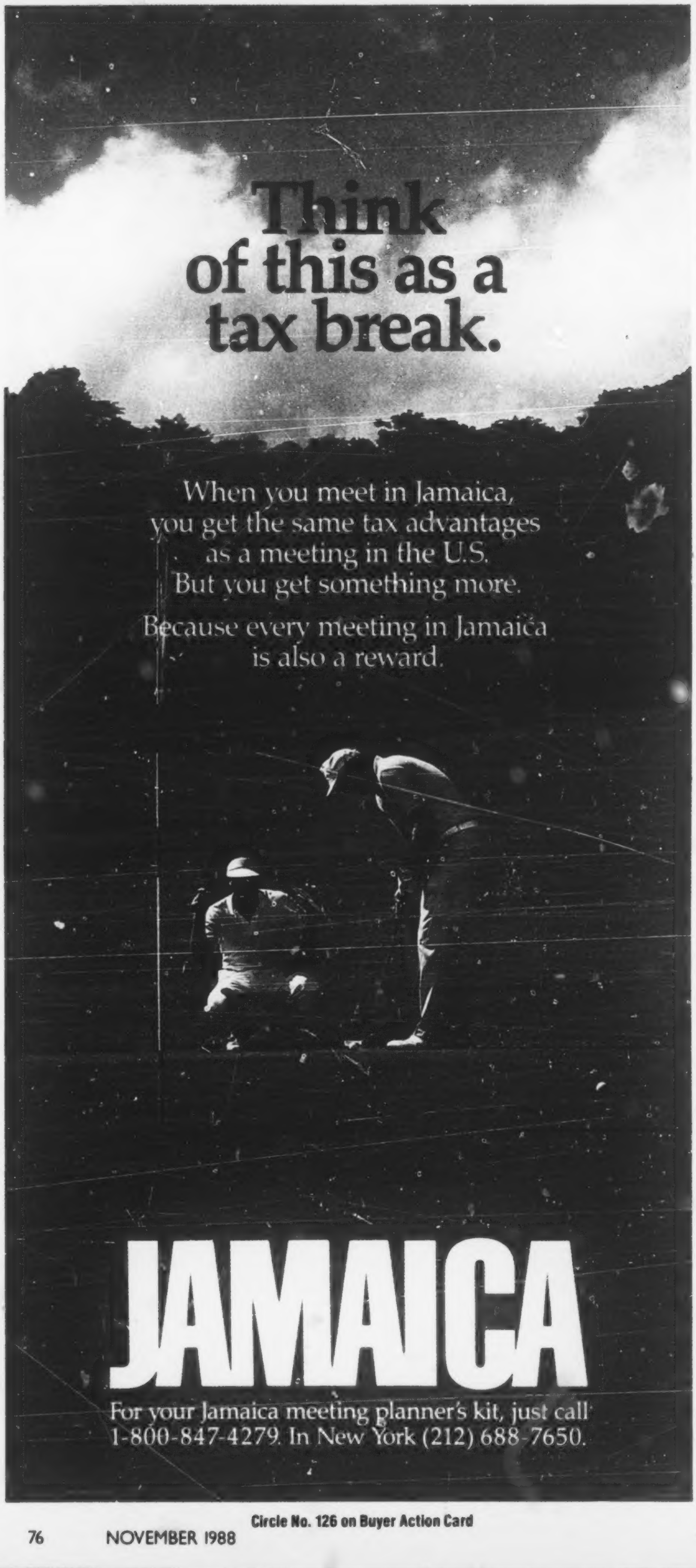
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Cricket matches and calypso bands seem equally at home in Barbados.

park. Visitors descend stairs and, through windows, view marine life in its natural habitat.

Over the next five years, the Bahamas will add several thousand luxury rooms in its existing inventory, according to George Suhr, senior marketing consultant for the Bahama Ministry of Tourism in Coral Gables, Fla. By the end of 1989, for example, the new $130 million Carnival's Crystal Palace Resort & Casino at Cable Beach will have its full complement of 872 rooms and 25,000 square feet of meeting space. In Freeport on Grand Bahama Island, the 200-room Lucayan Bay Hotel is being reconstructed adjacent to the Lucayan Beach Hotel & Casino. After 1989, the hotels will operate in tandem, offering a total of 500 deluxe rooms.

Upscale resort development is not limited to Nassau and Freeport, however. Ambitious projects are in the works for Eleuthera and Andros in the Family Islands. A large resort complex with tennis, golf and a pleasure yacht marina is planned for South Eleuthera, adjacent to the Winding Bay Beach Resort, with a probable opening date in 1990. On the lush island of Andros, the government has tagged 5,000 acres of land at Fresh Creek for development; 1,000 to 1,500 guest rooms and possibly a casino are anticipated.

■ BARBADOS

Cricket matches and calypso bands seem equally at home in Barbados, which boasts the oldest parliament in the Western hemisphere. Last February, Xerox Canada treated a group of 140 incentive winners and their spouses to a stay at the Heywoods Barbados. To promote the program, the Ontario-based company used posters, letters and video presentations with a "Treasure Island" theme, said manager of product marketing Vladimir Haltigan.

One evening during the trip, the group enjoyed a recreated craft market with folk and limbo dancers. On

RECOMMENDED READING

Baedeker's Caribbean	Baedeker	$14.95
Fielding's Bermuda and Bahamas	Fielding	7.95
Fielding's Caribbean	Fielding	12.95
Fodor's Caribbean	Fodor	12.95
Frommer's Shopper's Guide to the Caribbean	Frommer	11.95
Guide to Jamaica	Moon Publications	7.95
Guide to Puerto Rico, Virgin Islands and Dominican Republic	Moon Publications	8.95
Insight Guide Jamaica	APA	16.95

Source: Phileas Fogg's Books and Maps for the Traveler, #87 Stanford Shopping Center, Palo Alto, Calif. 94304-1424, (800) 533-FOGG or (800) 233-FOGG in California

the final awards night for top qualifiers, a police band and troops of local singers provided the entertainment. The reported highlight of the trip was a pirate cruise aboard the Jolly Roger, one of several large boats that may be chartered for special events.

Groups can bring the Jolly Roger close to shore, off-load people into smaller boats and have these boats sail back to the hotel for a red-carpet, beach-side landing. The carpet is flanked by lighted candles as guests make their way from the boat to the hotel dining room or to the beach for a barbecue dinner.

Available for day or nighttime voyages, the Atlantis II, a 50-foot sightseeing submarine, has seating for 28 passengers. A boat may be chartered to run from the Bridgetown Harbor area to the dive site. Winners can party on the charter boat for several hours, while small groups participate in the Atlantis II dives.

New to Barbados is the 75-room Pemberton Royal Pavilion. Next year, Kings Beach will debut with 60 rooms and meeting space.

BERMUDA

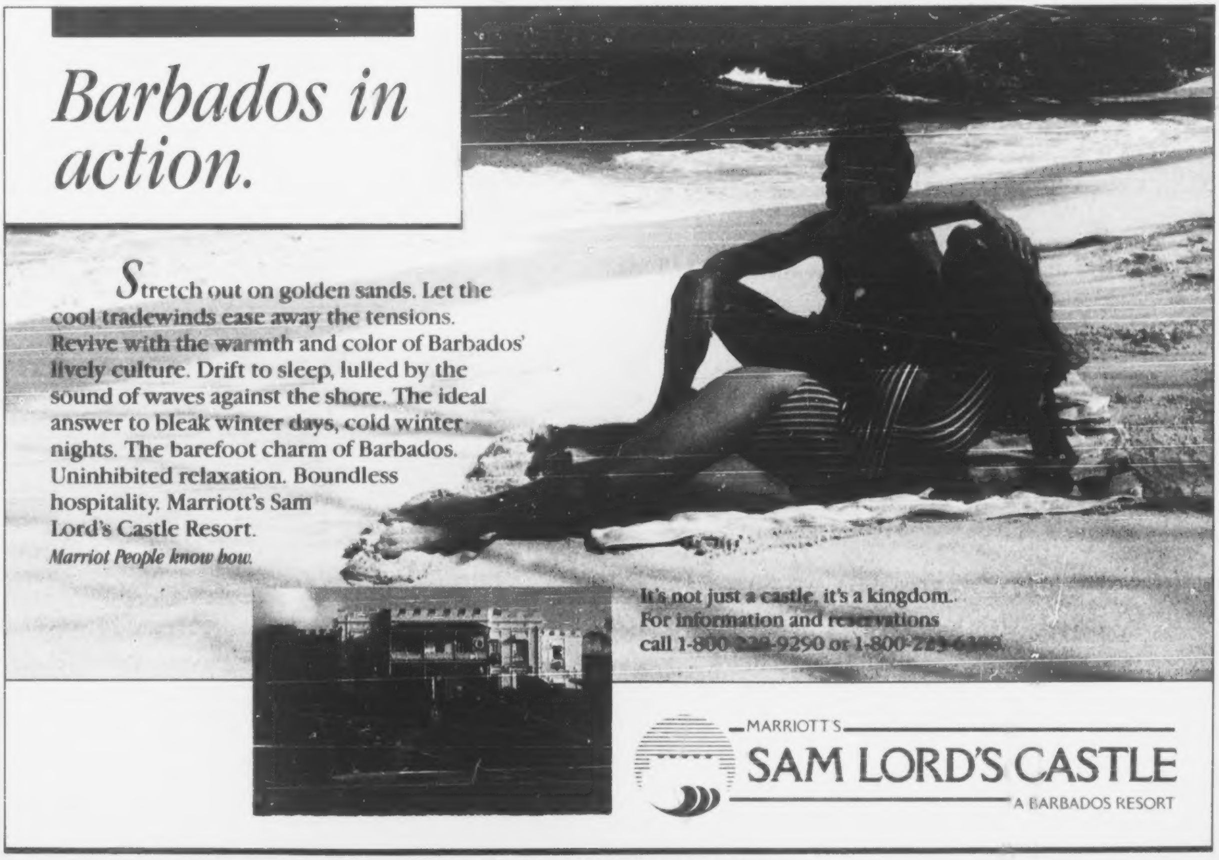
Britain's oldest colony is situated in the Atlantic Ocean some 500 miles from Cape Hatteras, N.C. Bermuda's winters are warm enough for golf and tennis—and for incentive groups that favor this neat and tidy, hassle-free destination and want to benefit from low, off-season rates.

Bermuda recently spent more than $20 million expanding its airport and adding a new departure lounge. Car rentals are nonexistent on the island, but six-seater taxis are now available for airport transfers and may be reserved in advance by incentive groups.

The best way to brave the island's narrow, winding streets is by moped. Penboss Associates Ltd., a Bermuda-based destination management company, recommends a moped rally that doubles as a sightseeing trip.

The newest attraction is the submarine Enterprise, which can accommodate 48 persons in a dive off the coast of St. George. The Enterprise may be chartered for a full day.

For a private casino night, Penboss



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director of destination management Carla Fountain recommends adding the Bermudian game of Crown and Anchor Board to the usual blackjack and poker contests. Or how about an Ascot evening featuring wooden horses and "riders" in jockey attire? Horses may be named after a company's products or its division managers.

The Old Royal Naval Dockyard in Hamilton, soon to make its debut, will add another entertainment dimension. The complex includes the Bermuda Maritime Museum and renovated Bermuda Cooperage building, where local artists will display their woodworking, quilting and silkscreening crafts. The complex will be available for cocktail parties and theme events.

Bermuda has a moratorium on new construction. However, the Marriott Castle Harbour recently added a wing of 120 new rooms, and the Sonesta Beach Hotel & Spa enlarged its meeting space to provide a total of 15,000 square feet.

■ JAMAICA

The land of rum and reggae is wooing incentive travelers with native cuisine, colorful markets and unusual sightseeing adventures. Visitors to the island can horseback ride in the Blue Mountains or climb the Dunns River Falls, which drop a staggering 600 feet to the sea from wooded limestone cliffs. Visitors can check clothing and valuables in a locker, don bathing suits and hire a local guide to lead a group up the rocks to the top of the falls. The guide will carry the group's cameras for picture taking. Another option is to arrange for a night climb topped off with a feast of Jamaican delicacies and reggae or calypso music.

Normally, rafting on the Martha Brae River consists of an experienced local raftsman propelling a bamboo raft of tourist-passengers. For a more activist version, incentive groups can organize rafting races and hire a steel band as background music. More sedentary-minded group members can cheer on the participants.

Last year, the 20-acre botanical Gardens of Carrinosa opened in Ocho Rios. The site offers rare tropical blossoms, an aviary, an aquarium, a restaurant and an ideal venue for cocktail parties and other group celebrations.

In the new-accommodations category, Jamaica-Jamaica, the all-inclusive Super Clubs resort in Ocho Rios, has added 80 rooms for a total of 152. In Negril, a 90-minute drive from the airport at Montego Bay, the 200-room Grand Lido property will open its doors next year.

CONTINUED ON NEXT PAGE

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PUERTO RICO

On the one hand, Puerto Rico is a lively island playground of beach resorts and casinos. On the other, it is an artistic and cultural center with quaint colonial streets and historic monuments.

As for incentive possibilities, "in the past two years, there has been a virtual night-and-day change in Puerto Rico," says Gregory Kurdian, president of Sunbound, a Miami Beach-based destination management company that handles several Caribbean islands. "The quality of the infrastructure, the orientation of the hotels toward the incentive market [and] their capability for major incentive 'theming' is outstanding."

New construction continues to sweep the island. Additions to the 1990's landscape will include a Ritz Carlton property, the 1,000-room El Conquistador, and the Sands Hotel & Casino near the Dorado Beach Hotel. A 436-room Sands Hotel & Casino recently opened adjacent to the 392-room El San Juan; The two properties are offering a joint package of rooms and meeting space to the incentive market.

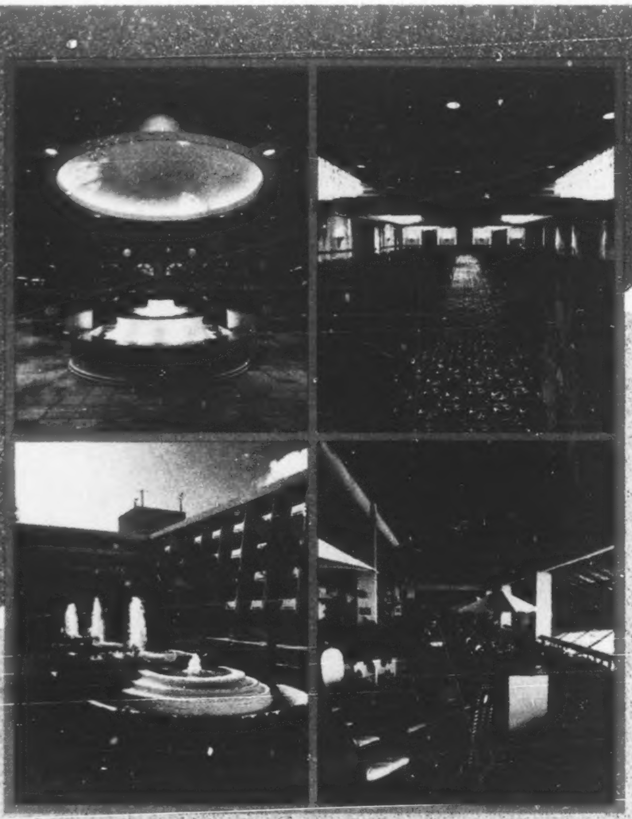
The Dupont Plaza, which burned down a few years ago, has been renamed the Palm and will open later this year with 450 rooms. The 180-suite Normandy Hotel, an art-deco creation of stucco and gold leaf, will reopen by year's end under Radisson management.

Bidding has begun on the La Concha Hotel and Condado Beach Hotel & Convention Center, which the government has put up for sale and earmarked for major expansion during the early 1990's. The Condado Plaza has added a new casino, executive center and health club.

On the island's Southwest coast, 56 villas have been added to the luxury resort village of Palmas del Mar for a total of 300 units. About an hour from San Juan near Luquillo Beach and the El Yunque rain forest, construction has begun on the Rio Grande project, a complex of two hotels, condominiums, marina and golf course. The 800-room development will have some rooms available by 1990, says Carlos Diago, deputy director of tourism for the Commonwealth of Puerto Rican Tourism Company in San Juan.

Eastern Airlines recently spent $45 million upgrading its hub area at San Juan International Airport. American Airlines, not to be outdone, will invest another $100 million in its San Juan hub. When completed, the project will provide additional U.S. gateways to the Caribbean, as well as connections with eight European markets and 12 South American ones.

Ponce, "Pearl of the South" and Puerto Rico's second largest city, is expanding its airport in the hopes of becoming a major port and tourist center. Hilton is preparing to open a 180-room beach-front hotel in Ponce next year. This provincial capital is rich in tourist attractions, including a pre-Columbian archaeological site, a colorful waterfront and marketplace, and the architecturally notable Ponce Museum, with paintings by European and Puerto Rican artists.



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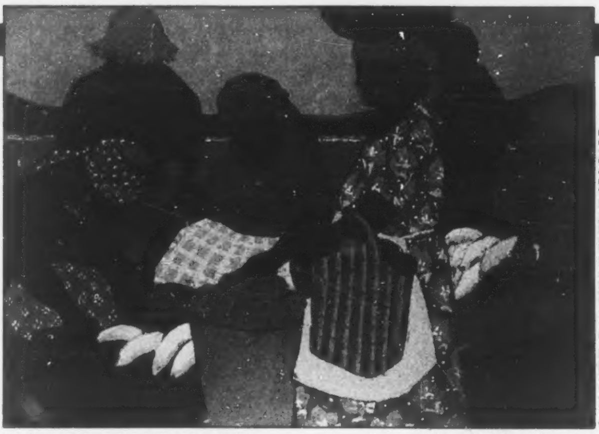
The Camuy Caves, a fascinating underground network, are being developed as a tourist site. Last year, a complex of underground tunnels was opened up to visitors, who can tour the caves and Rio Camuy river in small trams. Special rates are available for group visits to the site.

■ ST. MARTIN

As a tourist destination, this half-French, half-Dutch island is a spectacular success story. Both Paris and Amsterdam have financed ambitious waterfront developments. Two deluxe properties—the 253-room L'Habitation and 156-room La Belle Creole—have placed St. Martin squarely on the incentive travel map. Another new hotel, the 150-room PLM Azur Oyster Bay, also will market to incentive groups.

Marigot, the island's French capital, has traded its sleepy fishing-village character for a more sophisticated ambiance. New boutiques, marinas and restaurants abound, and the accent is unmistakably Gallic. Wine tasting parties may be arranged through St. Martin's local shops and restaurants. Dine-arounds offer a chance to sample authentic French cuisine as well as local creole specialties. Another option is a visit to the studios of local artists-in-residence. And in duty-free St. Martin, perfumes are on sale for as much as one-half their U.S. price.


G. LYNN/FRENCH WEST INDIES TOURIST BOARD

Visits to local artists' studios are an option on St. Martin. Above, a painting by Grand Case's Gloria Lynn.

■ U.S. VIRGIN ISLANDS

The totally tax-deductible U.S. Virgin Islands offer excellent dine-around opportunities, superb weather and deluxe hotels with complete beach facilities, notes Thomas Van Wert, sales incentive specialist for the U.S. sales division of the Eastman Kodak Company, Rochester, N.Y. Last March, Wert escorted 86 winning sales representatives and their spouses on a week-long stay at the Stouffers Grand Beach Resort in St. Thomas.

Kodak's winners were treated to a day sail from St. Thomas to the

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neighboring island of St. John, with food and drinks on board. The group swam and snorkeled and then sailed back on three separate boats. "It was particularly exciting for people who have done very little sailing in their lives," Wert says. The cost was approximately $60 per person.

Among the newer properties to grace the Virgin Islands is the Divi Grapetree Beach Hotel on St. Croix with 86 rooms. The property is planning additional facilities: 190 units and a 5,000-square-foot convention space by 1990.

The new Sapphire Beach Resort on St. Thomas opened with 81 rooms this year; by 1990, the $72 million project will include 300 suites and villas, a convention center and a 67-slip private marina. The Ritz Carlton Hotel Company will make its presence felt in St. Croix by 1991 with a 450-room property. ☐

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IDEAS

▶ The ***San Diego Marriott Mission Valley***, slated to open in mid-December, will offer 350 guest rooms, 14 meeting rooms and 8,448 square feet of function space. Other features include an outdoor heated swimming pool, a spa, two lounges, two restaurants and two tennis courts. Contact corporate sales manager Alecia Phinney at (619) 692-3800.

▶ The ***Golden Tulip Aruba Caribbean Resort & Casino*** is seeking additional incentive business on a year-round basis. Unique offerings include: the resort's newest tower, the 172-room Caribbean wing, which can be set aside for an entire group; development of new theme parties; a full-time social director to help plan group activities; private yacht cruises and beach olympics. Special rates are available for groups requiring 10 rooms or more. Contact sales and marketing director Al Perry at (212) 486-2996.

▶ The new 350-room ***Sheraton Firenze Hotel*** is three miles from downtown Florence, Italy. Contact J. J. Gubbins, Sheraton vice president/incentives director, at (312) 565-0735.

▶ ***Ansett Airlines of Australia***, Los Angeles, has put together "The Ansett Holiday Collection: A Portfolio of Australia's Great Destinations." The guide details some of the country's most "interesting and luxurious" properties and activities. For a copy, contact Rigo Banuelos at (213) 642-7487.

▶ Need a motivational venue in Boston? ***Boston By Sail Inc.*** offers sailboat cruises along the historic waterfront. Boats vary in size, holding four to 20 passengers. Contact Gerri

Riggs or Kathy Whalen at (617) 742-3313.

▶ Consider ***Here's Chicago!*** for your next special event in the Windy City. Located in Chicago's historic Water Tower Pumping Station, the hall can accommodate up to 150 people for a sit-down dinner, up to 600 for a cocktail reception and up to 200 in its giant-screen theater. Sound-and-sight shows about Chicago can be arranged. For rates and availability, call Ann Bakopoulos at (312) 467-5307.

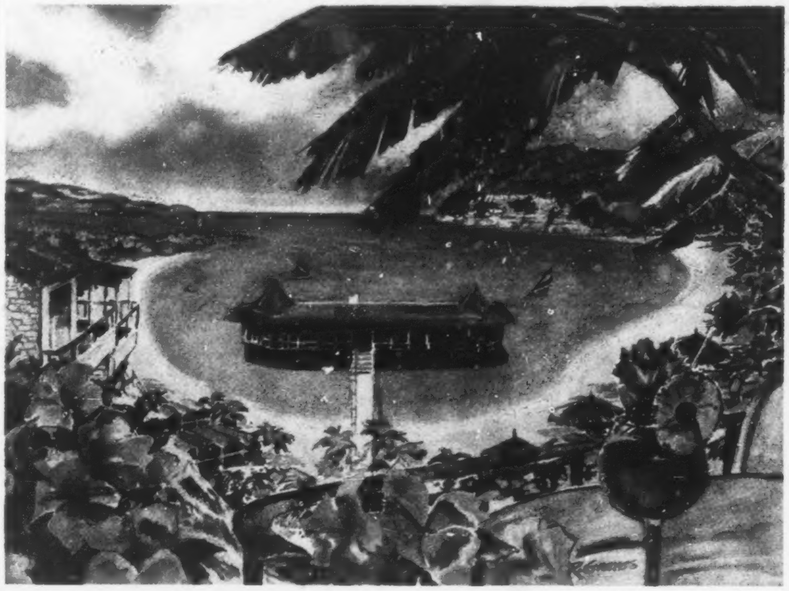
▶ The ***Barbados Board of Tourism***'s new group travel guide includes information on climate, cuisine, shopping, customs and immigration, airline service and suitable hotels for incentive winners. Contact Shirley Monteil at (800) 221-9831 or at (212) 986-6516 in New York.

BARBADOS

▶ The 169-room ***Le Warwick Hotel***, Geneva, has introduced an incentive program for groups of up to 300 winners. The hotel can arrange four special excursions. Options include: a day trip to a cheese factory in Gruyeres, lunch and a balloon ride at Chateau-d'Oex; a two-hour cruise on Lake Geneva followed by lunch; a half-day tour of Geneva's countryside with wine tasting in old cellars and lunch at the castle-turned-hotel Chateau Vieux, and a mid-afternoon steamboat excursion along Lake Geneva followed by a candlelight dinner in the castle stables of 18th-century Chateau de Coppet. Group rates are guaranteed through 1990. Contact Lindsey Harman, vice president of Warwick Marketing Services, at (212) 397-0705.

▶ ***Westin Stamford and Westin Plaza***, Singapore, introduce new theme parties, including "travel through a time warp" to a Chinese imperial courtyard and a "Malay fishing village party." The hotel's ballroom can accommodate 6,000 people. Contact Bob Dauner at (312) 337-8105.

▶ The 200-room Hotel Tahara'a in Papeete, Tahiti, recently became the ***Hyatt Regency Tahara'a***. Each room features a private lanai and both mountain and ocean views. Contact Robert Estum at (312) 750-1234. ☐



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MANAGING AND MARKETING THROUGH MOTIVATION

FACTS Survey

THE CASE AGAINST COMPETITION

PLUS

- Tourism: Can your business benefit?
- Marketing to secretaries
- Fitness plans that pay off

Does author/lecturer Alfie Kohn's controversial theory of motivation rule out incentives?

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DECEMBER 1988

INCENTIVE

84th YEAR, VOL. 162, NO. 12

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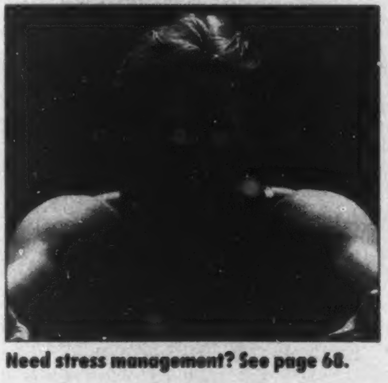

Need stress management? See page 68.

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INCENTIVE

INCENTIVE MARKETING

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Corporate health-promotion programs can help recruit new employees, boost morale and productivity, and reduce absenteeism, turnover and medical costs.

INCENTIVE TRAVEL

74 Hawaii
Near-perfect weather, stellar hotels and incentive expertise make Hawaii the most popular destination.

84 No Sun, Still Fun
Straightforward rules and a trip to London help Harris/3M rev up its sales force.

85 Ideas

MERCHANDISE

86 Inside Luggage
Buyers who want to appeal to business or pleasure travelers in promotions should consider using luggage.

90 Unusual Prizes
A bizarre prize can really shake things up, especially for a brand that wants to reposition itself.

93 Ideas

RESOURCES

94 Marketplace
98 Books & Videos
98 Service Companies
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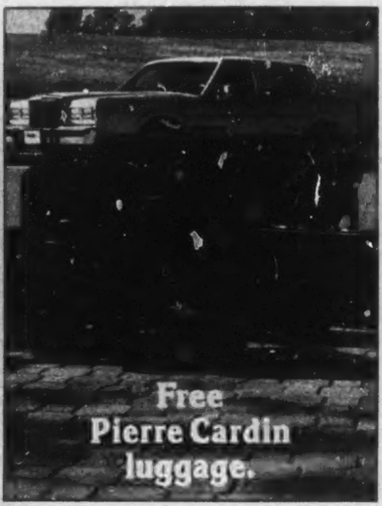
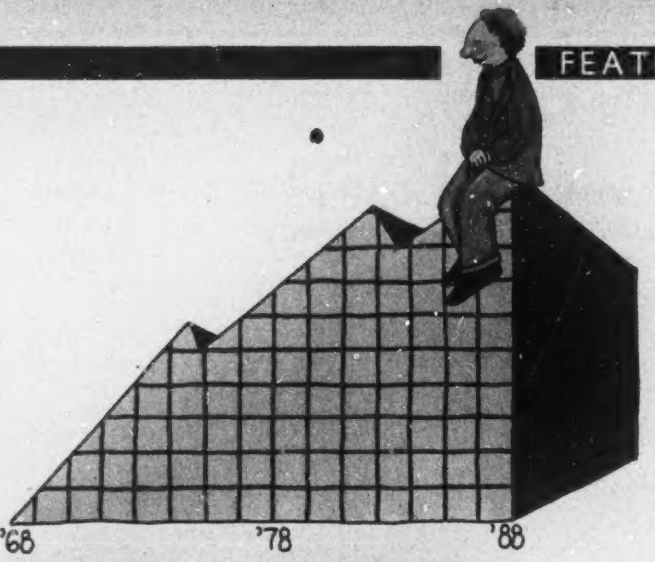
Why is Hawaii the top site? See page 74.



Luggage and travelers. See page 86.



FACTS 1988

Increased emphasis on dealer and employee motivation keep overall incentive spending on the upswing.

Motivation expenditures this year resist superlatives in every area. With the exception of dealer incentives, spending in all categories has not risen as much as in 1987. Marketers' sales results are pretty good but fall below recent standards. And the cost of promotions generally has risen moderately but is higher than in the past two years.

Total estimated expenditures come in about 5.3 percent over last year's—one percentage point below the 1987 growth rate and about a point ahead of inflation. That brings the dollar estimate for incentive spending to $14.71 billion.

Sales incentives continue to represent the biggest chunk of the field, with a 6.6 percent advance for the year. It cost marketing executives a little more to realize a little less in sales. Average increase from salesforce motivation programs is 19.7 percent, compared with 20.9 percent last year. At the same time, the average cost—measured as a share of incremental sales—rose to 15 percent this year from 12 percent in 1987.

These sales incentive users cut back significantly in their travel programs. Estimates of expenditures dropped from an expansive 10.7 percent a year ago to only 3.8 percent growth now. This change may be traced to very large increases in reported costs of sales incentive trips in both 1987 and 1988. Merchandise spending rose 7.7 percent this year, just slightly below last year's 7.9 percent.

With dealer incentives, survey respondents show more enthusiasm this year than last: a 6.3 percent increase in expenditures compared with last year's lackluster 4.5 percent growth rate. But the greater faith did not pay off so well as some might have hoped. Sales gains through dealer incentives, which averaged 18.4 percent for the past two years, dipped to 16.1 percent in 1988 efforts. Average program costs for dealer incentives rose to 15 percent of incremental sales, up from 12 percent.

In both sales and dealer incentives, the median cost remains at 10 percent of incremental sales, where it has held for several years.

While travel costs also rose for dealer incentive users, the increase in trip cost has not resulted in any significant drop in dealer travel campaigns. In fact, expenditures advanced 5.9 percent this year, following an anemic 3.1 percent expansion during 1987.

Consumer promotion is the major laggard this year, expanding only 4.1

THE INCENTIVE FIELD AT A GLANCE

ALL FIGURES IN THOUSANDS

	1988 EXPENDITURES	1987 EXPENDITURES	% CHANGE
▶ **SALES INCENTIVES**	$4,760,479	$4,464,731	+ 6.6%
Merchandise	3,496,695	3,247,336	+ 7.7%
Travel	1,263,784	1,217,395	+ 3.8%
▶ **DEALER INCENTIVES**	$2,697,004	$2,538,066	+ 6.3%
Merchandise	1,768,352	1,660,814	+ 6.5%
Travel	928,652	877,252	+ 5.9%
▶ **MERCHANDISE TOTAL**	$5,265,047	$4,908,150	+ 7.3%
▶ **TRAVEL TOTAL**	$2,192,436	$2,094,647	+ 4.7%
▶ **TRADE TOTAL**	$7,457,483	$7,002,797	+ 6.5%
▶ **BUSINESS GIFTS**	$1,551,324	$1,486,945	+ 4.3%
▶ **CONSUMER PREMIUMS**			
Product Promotion:	$4,108,091	$3,925,162	+ 4.7%
• Mail-In Offers	2,096,579	1,988,071	+ 5.5%
• Direct Premiums	2,011,512	1,937,091	+ 3.8%
Retail Promotions:	$1,594,810	$1,552,656	+ 2.7%
• Sweepstakes, Games	198,032	185,946	+ 6.5%
• Direct, Trading Stamps	1,396,778	1,366,710	+ 2.2%
▶ **CONSUMER TOTAL**	$5,702,901	$5,477,818	+ 4.1%
▶ **TOTAL USAGE**	**$14,711,708**	**$13,967,560**	**+ 5.3%**

Does not include nonsales employee spending; this will be included in a future survey.

INCENTIVE USAGE BY INDUSTRY

ALL FIGURES IN THOUSANDS

INDUSTRY	1988 EXPENDITURES	% CHANGE FROM 1987
Food Products	$1,557,350	+ 3.9%
Toiletries & Cosmetics	961,511	+ 10.4
Auto Parts, Tires, Accessories	857,892	+ 14.1
Insurance	677,648	+ 8.9
Electronics, Radio, TV	476,813	+ 3.3
Automobiles & Trucks	441,780	+ 8.5
Building Materials	338,162	+ 6.1
Heating & Air Conditioning	295,833	+ 7.0
Petroleum Products	294,999	+ 2.2
Publishers, Printers, Broadcasters	288,097	+ 4.8
Office Equipment	287,788	+ 3.1
Beer, Ale, Soft Drinks	241,017	+ 10.0
Detergents & Cleansers	224,550	+ 5.1
Farm Equipment	216,467	+ 7.1
Electric Appliances	214,384	+ 3.2
Housewares & Home Furnishings	211,258	+ 4.4
Banks, Savings & Loan	210,674	+ 2.6
Feed, Fertilizer, Farm Supplies	195,182	- 0.4
Pharmaceuticals	191,776	+ 5.5
Machinery & Supplies	157,118	+ 9.7
Electrical & Lighting Equipment	126,769	- 0.4
Industrial Chemicals	112,109	+ 2.8
Furniture & Floor Coverings	94,193	+ 7.0
Paper Products & Packaging	84,606	+ 4.4
Paints & Varnishes	70,476	+ 9.0
Apparel	60,399	+ 6.2
Sporting Goods & Toys	55,817	+ 5.1
Hardware	35,341	+ 11.4
Public Utilities	27,113	+ 4.3
Miscellaneous Manufactures	811,278	+ 5.7
Miscellaneous Services	937,373	+ 7.0
Wholesalers & Distributors	1,366,746	+ 1.2
Retailers	2,589,189	+ 3.0

About 39 percent of employee motivation expenditures are for merchandise awards.

percent; this compares with an increase of 5.6 percent a year ago. Product promotion by manufacturers and distributors shows just a little more life, with a 4.7 percent rise. Retailers' incentive activity grew only 2.7 percent over last year.

The product marketers report a significant drop in yield—only 16.1 percent sales growth compared with 18.7 percent last year. In another measure of effectiveness, those seeking store displays get a 26 percent promotional plus; use of incentive displays was up 38 percent a year ago.

Down at the store, retailers spent 6.5 percent more this year for sweepstakes and game promotions. But in the much larger area of direct premiums (including stamps), they spent only 2.2 percent more than in 1987.

Even business gifts, which often outperform the structured promotions, managed only a 4.3 percent rise in expenditures this year.

Employee motivation awards—incentives to promote safety, attendance, quality and productivity among nonsales workers—show above-average growth. The first **Incentive** survey of this area was conducted this year (see June issue), but not enough information has been developed to estimate expenditures. But the estimates of surveyed companies suggest the trend. Of 279 questionnaires, 215 provide dollar figures for 1987 and 1988. Those estimates show a planned increase in expenditures, year to year, of 8.4 percent.

About 39 percent of the expenditures is for merchandise awards; 36 percent for cash prizes; 15 percent for travel, and 10 percent for recognition awards. Merchandise is the most popular type of award for production employees, and cash predominates for office and service personnel.

While overall expansion in incentive spending has been light this year, there are areas of vigorous activity. Sixteen of the industries in the survey enlarged their incentive budgets more than the overall average of 5.3 percent.

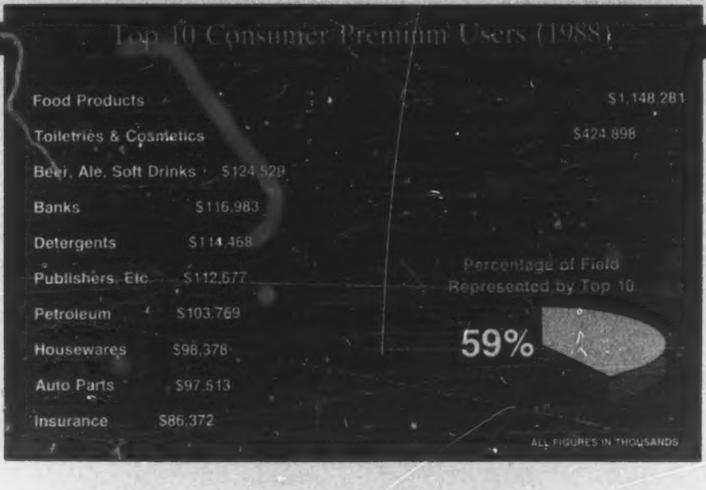
Four industries added double digits to their 1987 expenditures. Leading these optimists are makers of auto parts, spending 14.1 percent more. Hardware, a relatively small user, added 11.4 percent. Toiletries and cosmetics firms increased incentive outlays by 10.4 percent, and beer, ale and soft drink marketers are spending 10 percent more.

At the other extreme, five of the tabulated industries report what amounts to a drop in real expenditures on incentives. Two actually reduced dollar input slightly: Feed, fertilizer and farm supplies, and electrical and lighting equipment both cut budgets by 0.4 percent. Petroleum marketers added only 2.2 percent; banks, 2.6 percent, and industrial chemicals, 2.8 percent.

A major factor in the overall slow growth this year is the sluggish performance of a prime user category cutting across all manufacturing industries: wholesalers and distributors, who account for more than 9 percent of all incentive activity. This year, the usually active middlemen raised their budgets by a mere 1.2 percent. Last year, they upped spending by 10.7 percent.

Wholesalers and distributors are usually large spenders for sales incentives. This year, use of merchandise declined by 1.1 percent, although the smaller area of travel expenditures grew an estimated 8 percent. Dealer programs show less than 1 percent growth in both merchandise and travel. ☐

CONTINUED ON PAGE 26



Consumer Incentives

The toiletries and cosmetics industry makes a big investment in promotion.

The biggest users of consumer incentives—makers of food products—dragged their feet a bit this year, with only a 2.3 percent increase in spending. Accounting for 28 percent of expenditures, the food marketers had increased promotion efforts by at least 7 percent in all but one of the past six years.

The second-largest user—toiletries and cosmetics--increased incentive budgets by 12.2 percent this year. In all, total estimated expenditures for product promotion rose only 4.7 percent in 1988.

All consumer promotion, including retailer expenditures, will post a 4.1 percent gain to reach $5.7 billion. Of that, $4.1 billion is for suppliers' product promotion and $1.6 billion for retailers' efforts.

The least progress in consumer promotion was written by automobiles and trucks, with a 5.6 percent retreat from 1987 usage. Since 1985, when use of cash incentives began in earnest, car makers have reduced by 53 percent their use of tangible incentives that offer something extra.

Here are the year-to-year changes in expenditure by industry:

Apparel	+ 0.8%
Auto parts, tires, accessories	+ 4.3%
Automobiles & trucks	− 5.6%
Banks and savings & loan	+ 4.0%
Beer, ale, soft drinks	+ 7.6%
Building materials	+ 8.2%
Detergents & cleansers	+ 6.5%
Electric appliances	+ 4.4%
Electrical & lighting equipment	+ 3.4%
Electronics, radio, TV	+ 2.2%
Farm equipment	+ 5.5%
Feed, fertilizer, farm supplies	+ 1.0%
Food products	+ 2.3%
Furniture & floor coverings	+ 1.1%
Hardware	+ 8.9%
Heating & air conditioning	+ 0.5%
Housewares & furnishings	+ 3.3%
Industrial chemicals	+ 1.3%
Insurance	+ 6.6%
Machinery & supplies	− 0.6%
Office equipment	+ 3.4%
Paints & varnishes	+10.8%
Paper products & packaging	+11.9%
Petroleum products	+ 3.0%
Pharmaceuticals	+ 3.8%
Public utilities	+ 4.5%
Publishers, printers, broadcasters	+ 5.5%
Sporting goods & toys	+ 4.9%
Toiletries & cosmetics	+12.2%
Distributors & wholesalers	+ 2.2%
Retailers	+ 2.7%

Manufacturers' mail-in promotions had a relatively strong showing, increasing 5.5 percent to $2.1 billion, while direct premiums gained 3.8 percent to $2 billion.

Within those major categories, self-liquidators and sweepstakes showed moderate strength, up 6.2 percent and 6.5 percent respectively, while free mail-in offers increased by only 3.4 percent. The near-pack direct premium and coupon plan were both stagnant, showing 0.2 percent increases, while the relatively small factory-pack group jumped ahead 13.2 percent.

Here is how marketers are estimated to have spent the $4.1 billion for these promotions this year (in thousands):

Self-liquidators	$1,218,619
Free mail-ins	576,343
Sweepstakes & contests	310,617
Direct premiums	1,024,712
Factory-packs	617,808
Coupon plan	368,982

Promotions generally performed well this year, although the results were less than many expected after last year's yield. Sales gains attributed to the incentive promotion averaged 16.1 percent—a significant drop from last year's 18.7 percent gains.

Response to mail-in offers, as measured by cost per 1,000 advertising impressions, is mixed this year. Premium requests and sweepstakes entries tracked to print and broadcast media showed some improvement over last year's estimates. But in measuring response to package advertising and point-of-purchase displays, the executives reported a slight drop from a year ago.

The relative shortage of display-generated response may be tied directly to another measure of results: the use of display materials. In the 1987 study, **Incentive** found that consumer marketers achieved an average of 38 percent greater retail display usage during promotions than in non-promotion periods. This year, the comparable figure fell to 26 percent.

Retailers' incentive activities increased by only 2.7 percent overall. The small sweepstakes and games category rose 6.5 percent to $198 million, while direct premiums advanced only 2.2 percent to $1.4 billion. Trading stamps, tabulated with direct premiums, again lost ground, dropping 1.8 percent to $375 million. ☐

Sales Incentives

Although the growth pace has slowed, sales-force motivation remains the fastest-growing category.

Top Sales Incentive Users (1988)

Insurance	$444,792
Toiletries & Cosmetics	$342,284
Auto Parts, Tires, Accessories	$337,339
Electronics, Radio, TV	$230,927
Food Products	$226,143
Automobiles & Trucks	$202,331
Building Materials	$157,218
Office Equipment	$121,855
Publishers, Etc.	$121,139
Machinery	$98,295

Percentage of Field Represented by Top 10

48%

ALL FIGURES IN THOUSANDS

Sales-force incentives remain the fastest-moving category in the motivation field as they have for the past five years. This year, the growth pace eased to a rate of 6.6 percent, the smallest increment in the last five years. The increase in expenditures this year brings the total of sales incentive activity to an estimated $4.76 billion.

Spending for merchandise outstripped travel this year, with a 7.7 percent gain to approximately $3.5 billion; travel is up 3.8 percent to approximately $1.26 billion.

Those dollars continue to help marketers achieve their objectives, but more was paid for a little less in results this year. The average cost of promotions in relation to sales gains rose to 15 percent this year from 12 percent a year ago. The average sales growth dipped slightly, from 20.9 percent in 1987 to 19.7 percent now. Meanwhile, users had to give a few more awards this year: 42 percent qualified in sales motivation programs, compared with 40 percent for the past three years.

Travel contributed most to the higher price, as unit trip cost rose to $1,664 per person from $1,404. The median went to $1,450 from $1,000. In the same period, merchandise unit cost dropped to an average of $260 from last year's $340. The median also fell—from $125 to only $100 this year.

Seven of the 10 largest incentive-using industries expanded their promotion by percentages well above the average. Insurance, the number-one

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spender, increased sales incentives by about 10.7 percent, and the second-ranked toiletries industry added 8.7 percent. Automobiles and trucks, auto parts, electronics, food, and machinery all increased activity by double-digit percentages.

Here is how industries treated sales incentive spending this year:

Apparel	+16.3%
Auto parts, tires, accessories	+13.4%
Automobiles & trucks	+13.8%
Banks and savings & loan	+ 2.6%
Beer, ale, soft drinks	+17.6%
Building materials	+ 4.7%
Detergents & cleansers	+ 2.5%
Electric appliances	+ 3.1%
Electrical & lighting equipment	+ 2.1%
Electronics, radio, TV	+12.2%
Farm equipment	+ 6.5%
Feed, fertilizer, farm supplies	+ 0.6%
Food products	+10.9%
Furniture & floor coverings	+ 3.4%
Hardware	+26.9%
Heating & air conditioning	+ 6.8%
Housewares & home furnishings	+ 2.3%
Industrial chemicals	+13.6%
Insurance	+10.7%
Machinery & supplies	+12.7%
Office equipment	+ 1.5%
Paints & varnishes	+ 5.9%
Paper products & packaging	+ 1.0%
Petroleum products	+ 2.3%
Pharmaceuticals	+ 9.6%
Public utilities	+ 5.4%
Publishers, printers, broadcasters	+ 5.4%
Sporting goods & toys	+ 5.1%
Toiletries & cosmetics	+ 8.7%
Distributors & wholesalers	+ 0.5%
Retailers	+ 2.4%

Users of sales incentives report a growing diversity in campaign objectives, with a decreased focus on sheer volume-building. While more sales are the underlying goal of every marketing program, any tool used in reaching it is likely to be more effective if it can be applied precisely.

The **Incentive** survey questionnaire lists 10 different objectives. The front-runner has always been "increase overall volume," chosen by 75 to 85 percent in most studies. This catchall objective is still the favorite but by smaller percentages. In this year's survey, 61 percent selected it. ☐

Dealer Incentives

Despite higher costs and lower sales results, marketers increase their dealer motivation expenditures.

The use of dealer incentives increased by 6.3 percent this year, almost matching the pace of sales-force motivation programs for the first time in five years. The estimated total for 1988 dealer expenditures is $2.7 billion.

The growth rate is an improvement from the early plans of users surveyed several months ago: They reported average budget increases of only 4.7 percent.

But users express disappointment in the results of dealer incentive campaigns this year. Not only do they report lower sales results, but results fell short of users' goals. In most years, the sales-gain trend exceeds goals by a little. This year, marketers set an average objective of 17.5 percent in added sales for their dealer programs. The final average result: 16.2 percent. Last year's average achievement was 18.4 percent.

In costs, the typical user came out the same as last year, spending a median 10 percent of incremental sales. But the average cost increased considerably, affecting a good number of companies: The average is up to 15 percent compared with 12 percent a year ago.

Incentive travel for dealers increased 5.9 percent over 1987, exactly what the users forecast in our early-year survey. The total travel outlay is estimated at about $928.6 million.

Merchandise expenditures ac-

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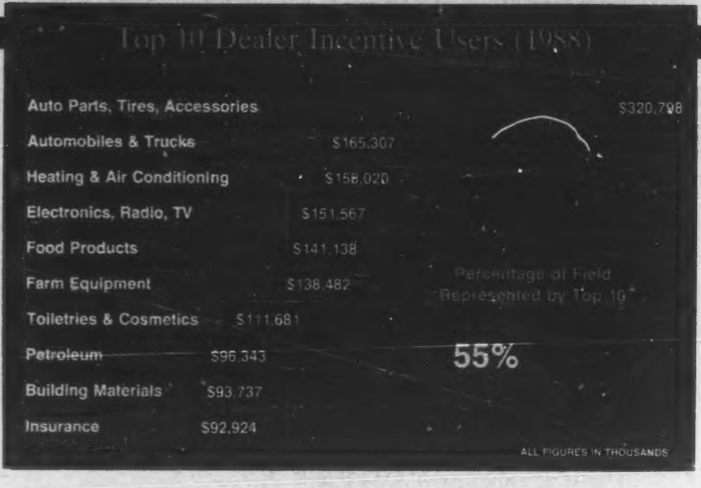

The average cost of a travel award rose to $2,221 per winning dealer—up approximately 24 percent from 1987. The median cost jumped to $1,775 from $1,500 last year.

count for the excess over early predictions. Instead of original budgeted increases of 4.1 percent, merchandise usage in the final estimates came to 6.5 percent more than last year.

Travel is where the major cost increases appear—and this is exacerbated by the fact that participation in travel programs increased from last year. In 1987, users reported about 46 percent of eligible dealers qualifying; this year, that figure is 52 percent—very close to the merchandise participation rate of 54 percent.

The cost per winner of a trip award rose to a new high of $2,221, up from $1,797 a year ago. The median jumped to $1,775 from $1,500.

Merchandise costs increased on average but declined in the median: to $50 from $60 last year.

Wholesalers and distributors were the largest target of these incentive campaigns, wooed by 56 percent of the survey respondents. About 39 percent directed their programs at retailers, 24 percent at commercial and industrial dealers, and 13 percent at service contractors.

There was a little churning in the top 10 user industries this year. The 1987 second-ranked electronics, radio and television group dropped to fourth position, as it decreased dealer incentive spending by 6.6 percent. Electric appliances, with a 5.8 percent increase in spending, dropped off the bottom of the list and was replaced by insurance, with an 18.5 percent jump.

This is the way the tabulated industries moved in their dealer expenditures this year:

Apparel	− 2.2%
Auto parts, tires, accessories	+23.8%
Automobiles & trucks	+ 4.3%
Banks and savings & loan	+ 4.9%
Beer, ale, soft drinks	+ 2.6%
Building materials	+ 6.3%
Detergents & cleansers	+ 3.4%
Electric appliances	+ 5.8%
Electrical & lighting equipment	− 4.2%
Electronics, radio, TV	− 6.6%
Farm equipment	+ 7.6%
Feed, fertilizer, farm supplies	− 1.9%
Food products	+ 7.7%
Furniture & floor coverings	+ 9.8%
Hardware	− 0.1%
Heating & air conditioning	+ 8.6%
Housewares & home furnishings	+ 8.6%
Industrial chemicals	− 0.7%
Insurance	+18.5%
Machinery & supplies	+11.8%
Office equipment	+ 4.6%
Paints & varnishes	+10.8%
Paper products & packaging	− 4.1%
Petroleum products	+ 0.6%
Pharmaceuticals	+ 0.7%
Public utilities	+ 0.8%
Publishers, printers, broadcasters	− 2.3%

CONTINUED ON PAGE 33

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Sporting goods & toys	+ 6.7%
Toiletries & cosmetics	+ 7.0%
Distributors & wholesalers	+ 0.5%
Retailers	+ 1.8%

Of 10 objectives chosen by respondents, "increasing total sales volume" continues as the first choice. But, as with users of sales incentives, it is less dominant each year. This year, the surveyed users for the first time failed to return a majority for the easy overall objective: Only 49 percent checked it.

Two more-specific goals gained in favor: 34 percent chose "selling new accounts," and the same number use dealer incentives to "introduce new products." ☐

Incentive Travel

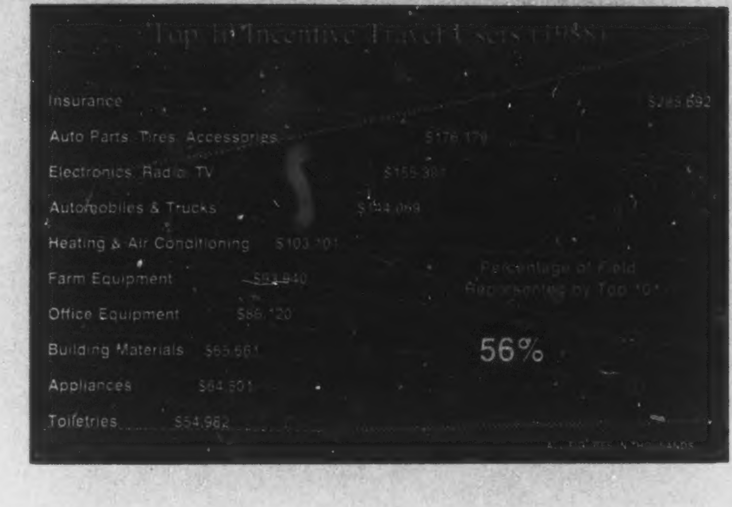
Spending is on the rise, but results are down and costs are up.

For dealer and sales incentive travel, this year has been one of moderate success—but with minor disappointments in results and costs.

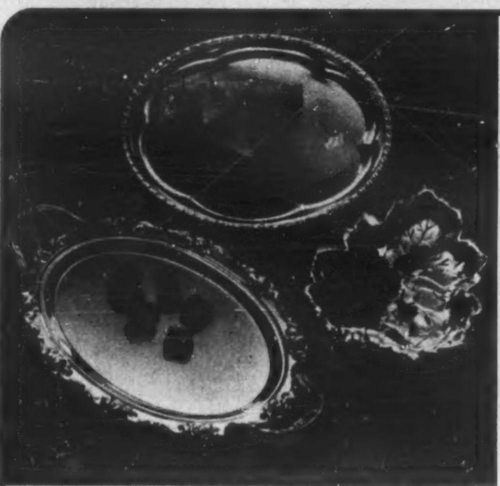
In total, expenditures for incentive travel rose 4.7 percent from 1987, for a new estimate of $2.19 billion. The sales incentive segment gained only 3.8 percent to about $1.26 billion, while dealer promotions increased 5.9 percent to $928 million.

While spending shows fair gains, sales results from the programs are down. The overall travel survey finds a drop to 18.4 percent from last year's 20.8 percent.

At the same time, overall campaign costs and per-person trip costs are up. Both sales and dealer surveys show an average cost of 15 percent of incremental sales this year, compared with 12 percent a year ago. Although the medians remain at 10 percent, the higher average reflects a fair number of much more expensive programs. The special travel-only survey conducted earlier this year found a level cost of 11 percent of incremental sales



STERLINGCRAFT SERVING TRAYS



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REGULAR RETAIL PRICE IS $39.95

11" SERVING TRAY
The unique leaf design will be a favorite. #KTT1
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There has been a little reshuffling among the top 10 users of incentive travel. Auto parts and farm equipment moved up, while electronics and office equipment were bumped down a notch.

in both years; this appears to result from the influence of more active and experienced travel users.

Those experienced users also hold the line on actual trip costs better than most. While sales incentive users say their per-person travel costs increased by $260 this year and dealer incentive users spent $111 more, the overall travel study shows a $27 decline in the average per-person expenditure.

Users of sales incentive travel reported an average of 33 percent earning awards, up four points from last year. The dealer promotion survey found 52 percent qualification, six points ahead of last year.

There has been a little reshuffling among the top 10 incentive travel users. Auto parts, with an increase in expenditures of 14.2 percent, has moved up to second position, bumping the electronics firms, who decreased usage by an estimated 6 percent. The seventh-ranked farm equipment industry increased its spending by 15.3 percent to move up to sixth place, ahead of office equipment, which expanded its usage by a mere 2.6 percent.

One other top-10 industry grew by double digits: Insurance, the largest user, increased 11.3 percent to more than $285 million in travel outlays.

Here is this year's trend in travel expenditure:

Apparel	+13.5%
Auto parts, tires, accessories	+14.2%
Automobiles & trucks	+ 5.0%
Banks, savings & loan	+ 7.1%
Beer, ale, soft drinks	+ 1.7%
Building materials	+ 3.3%
Detergents & cleansers	+ 5.8%
Electric appliances	+ 4.6%
Electrical & lighting equipment	+ 2.5%
Electronics, radio, TV	− 6.0%
Farm equipment	+15.3%
Feed, fertilizer, farm supplies	− 1.8%
Food products	+15.3%
Furniture & floor coverings	+ 3.0%
Hardware	+18.9%
Heating & air conditioning	− 3.5%
Housewares & home furnishings	+14.2%
Industrial chemicals	+ 4.9%
Insurance	+11.3%
Machinery & supplies	+11.9%
Office equipment	+ 2.6%
Paints & varnishes	+12.1%
Paper products & packaging	+ 0.6%
Petroleum products	—
Pharmaceuticals	+ 3.7%
Public utilities	+ 7.0%
Publishers, printers, broadcasters	+ 7.8%
Sporting goods & toys	+ 1.7%
Toiletries & cosmetics	+ 6.4%
Distributors & wholesalers	+ 3.9%
Retailers	+ 0.4%

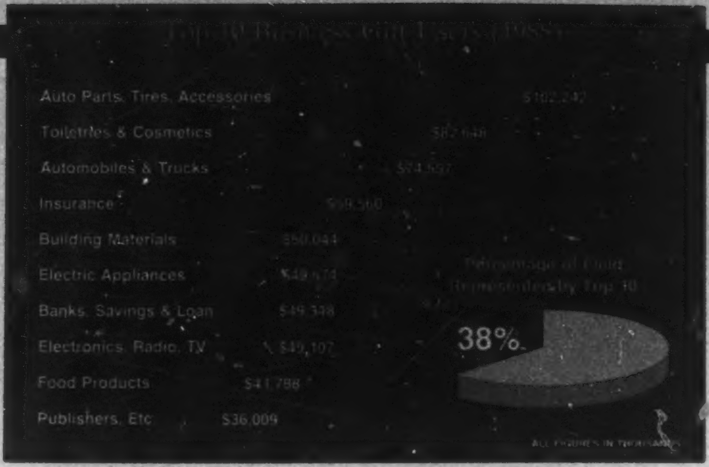
Business Gifts

The average cost of a business gift skyrocketed this year, but the median remains at $20.

The average cost of a business gift jumped to $75 this year, up from $56 a year ago. But it appears that very few companies offer gifts at that price level, since estimated expenditures rose only 4.3 percent to $1.55 billion.

The median gift price remains at $20, a more realistic level in the opinion of many givers and well under the $25 maximum that the Internal Revenue Service permits to be deducted as an expense for tax purposes.

Users turned out to be a little more generous than they anticipated earlier in the year when a special survey forecasted only a 2.6 percent rise in



expenditures for gifts.

Gift plans are less structured than incentive promotions, and more of the buying is done later in the year. Thus, it is easy for early budgets to turn out unrealistic.

However, more buying is being done earlier than in the past, as Christmas becomes a little less dominant. For many years, 85 percent or so of all gifts were bought for Christmas giving, but the percentage has slipped gradually over several years. The 1988 survey finds just 71 percent of gifts planned for Christmas use. There is an increasing variety of other occasions in recent reports—many of them more directly associated with sales activity than in the past.

Gift lists in that survey shrank slightly—to 480 from last year's 499 average number. More than 70 percent of respondents said they planned to stand pat on spending levels this year, while only 24 percent said they would spend more than last year.

The top 10 user industries are the same this year, but two have moved up in usage. Seventh- and eighth-ranked electric appliances and building materials upped their gift buying by 5 percent and 9.1 percent—enough to move ahead of banks and electronics in the standings.

Only one of the top 10, the second-place toiletries industry, increased expenditures by double digits—up 12.9 percent over 1987. Three other areas of large growth in gift usage are detergents and cleansers, up 13.9 percent; beer, ale and soft drinks, up 12.5 percent, and housewares and home furnishings, up 10.7 percent.

On the minus side, six industries reduced their gift expenditures this year: banks and savings & loan; electronics; feed, fertilizer and farm supplies; industrial chemicals; insurance, and sporting goods and toys.

Here is the lineup of changes in business gift purchases this year:

Apparel	+ 5.6%
Auto parts, tires, accessories	+ 0.6%
Automobiles & trucks	+ 9.3%
Banks and savings & loan	− 0.7%
Beer, ale, soft drinks	+12.5%

NORTHWEST AIRLINES

Building materials	+ 9.1%
Detergents & cleansers	+13.9%
Electric appliances	+ 5.0%
Electrical & lighting equipment	+ 3.2%
Electronics, radio, TV	- 0.5%
Farm equipment	+ 5.9%
Feed, fertilizer, farm supplies	- 1.8%
Food products	+ 0.3%
Furniture & floor coverings	+ 3.1%
Hardware	+ 4.5%
Heating & air conditioning	+ 3.3%
Housewares & home furnishings	+10.7%
Industrial chemicals	- 2.1%
Insurance	- 2.5%
Machinery & supplies	+ 2.4%
Office equipment	+ 6.0%
Paints & varnishes	+ 4.8%
Paper products & packaging	+ 0.2%
Petroleum products	+ 6.7%
Pharmaceuticals	+ 4.1%
Public utilities	+ 4.1%
Publishers, printers, broadcasters	+ 4.2%
Sporting goods & toys	- 0.4%
Toiletries & cosmetics	+12.9%
Distributors & wholesalers	+ 2.4%
Retailers	+ 8.3%

Employee Awards

With an ever-sharpening focus on productivity in American business, incentive awards for nonsales employees are a fast-growing management tool.

Although no complete estimate of the use of such incentives has been made, **Incentive**'s first survey of the subject offers insight. More than 230 companies participated, and 215 of them provided estimates of their employee award budgets for 1987 and 1988.

Companies spend an average of $72,000 a year on employee incentives.

In total dollar expenditures, this survey shows that the respondents invest an average of $72,000 a year in employee motivation incentives. The year-to-year trend shows an 8.4 percent increase.

MORE ON PAGE 38

EMPLOYEE AWARD EXPENDITURES

1988 REPORTS OF 215 COMPANIES

Type of Award	Production Personnel	Service Personnel
▶ Merchandise	$4,102,000	$1,894,000
▶ Travel	842,000	1,415,000
▶ Recognition	1,027,000	579,000
▶ Cash	742,000	4,904,000
TOTAL	$6,713,000	$8,792,000

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There is sharp division in the matter of cash versus other awards, with cash predominating for office and service employees and merchandise running far ahead for factory production workers. Overall, 39 percent of expenditures is for merchandise, 36 percent for cash, 15 percent for travel and 10 percent for recognition awards like plaques, jewelry and the like.

Seventy-two percent of surveyed executives have continuous award programs. Those who don't go year-round average two campaigns per year of nine weeks' duration.

The average award costs $423, with a median of $100. Sixteen percent of the companies give individual awards of $1,000 or more.

Individual performance is the major criterion used to determine winners of awards, but a healthy 28 percent of cases involve incentives based on team productivity.

Office productivity is the primary goal of 49 percent, with plant productivity a close second at 42 percent. Safety, suggestions, quality control, length of service and attendance follow in that order. □

MANUFACTURING INDUSTRIES	**EXPENDITURES 1988**		**EXPENDITURES 1987**	
■ APPAREL	**$60,399,000**	**+ 6.2%**	**$56,862,000**	**+ 7.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 16,986,000	+16.5%	$ 14,580,000	+21.1%
Travel	$ 4,389,000	+15.4%	$ 3,803,000	+22.4%
Dealer Merchandise	$ 7,952,000	- 2.1%	$ 8,123,000	+ 0.1%
Travel	$ 413,000	- 3.7%	$ 429,000	+33.2%
▶ BUSINESS GIFTS	$ 10,904,000	+ 5.6%	$ 10,326,000	+ 1.5%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 9,154,000	+ 7.1%	$ 8,547,000	+ 3.8%
Other Premiums	$ 10,601,000	- 4.1%	$ 11,054,000	+ 0.4%
■ AUTO PARTS, TIRES, ACCESSORIES	**$857,892,000**	**+14.1%**	**$751,611,000**	**+ 8.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 234,787,000	+13.2%	$ 207,409,000	+10.2%
Travel	$ 102,552,000	+14.0%	$ 89,958,000	+ 8.5%
Dealer Merchandise	$ 247,171,000	+26.9%	$ 194,776,000	+ 6.9%
Travel	$ 73,627,000	+14.5%	$ 64,303,000	+ 2.1%
▶ BUSINESS GIFTS	$ 102,242,000	+ 0.6%	$ 101,632,000	+ 7.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 74,044,000	+ 5.4%	$ 70,250,000	+16.2%
Other Premiums	$ 23,469,000	+ 0.8%	$ 23,283,000	+ 2.1%
■ AUTOMOBILES & TRUCKS	**$444,780,000**	**+ 9.2%**	**$407,238,000**	**+ 1.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 175,998,000	+15.9%	$ 151,854,000	+ 1.9%
Travel	$ 26,333,000	+ 1.4%	$ 25,969,000	+ 1.4%
Dealer Merchandise	$ 47,571,000	+ 0.6%	$ 47,287,000	+ 0.5%
Travel	$ 117,736,000	+ 5.9%	$ 111,178,000	+ 2.4%
▶ BUSINESS GIFTS	$ 74,557,000	+ 9.3%	$ 68,213,000	+ 1.6%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 1,230,000	- 0.9%	$ 1,352,000	+ 6.3%
Other Premiums	$ 1,355,000	- 2.2%	$ 1,385,000	+ 7.1%
■ BEER, ALE & SOFT DRINKS	**$241,017,000**	**+10.0%**	**$219,177,000**	**+ 7.4%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 61,577,000	+21.7%	$ 50,597,000	+12.1%
Travel	$ 12,354,000	+ 0.9%	$ 12,244,000	+ 2.2%
Dealer Merchandise	$ 25,913,000	+ 2.4%	$ 25,306,000	+11.1%
Travel	$ 5,938,000	+ 3.3%	$ 5,748,000	+ 9.1%
▶ BUSINESS GIFTS	$ 10,701,000	+12.5%	$ 9,512,000	- 12.0%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 76,155,000	+ 9.2%	$ 69,739,000	+10.5%
Other Premiums	$ 48,379,000	+ 5.1%	$ 46,031,000	+ 2.4%

	EXPENDITURES 1988		EXPENDITURES 1987	
BUILDING MATERIALS	**$338,162,000**	**+ 6.1%**	**$318,577,000**	**+ 8.7%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 121,986,000	+ 5.4%	$ 115,736,000	+11.7%
Travel	$ 35,232,000	+ 2.3%	$ 34,440,000	+ 7.6%
Dealer Merchandise	$ 63,308,000	+ 7.2%	$ 59,056,000	- 1.0%
Travel	$ 30,429,000	+ 4.5%	$ 29,119,000	+ 9.8%
▶ BUSINESS GIFTS	$ 50,044,000	+ 9.1%	$ 45,870,000	+20.0%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,313,000	+15.8%	$ 13,224,000	+ 9.2%
Other Premiums	$ 21,850,000	+ 3.4%	$ 21,132,000	+ 0.2%
DETERGENTS & CLEANSERS	**$224,550,000**	**+ 5.1%**	**$213,748,000**	**+ 5.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 66,029,000	+ 2.5%	$ 64,419,000	+ 1.4%
Travel	$ 2,967,000	+ 1.4%	$ 2,926,000	+ 1.9%
Dealer Merchandise	$ 30,692,000	+ 2.9%	$ 29,827,000	+ 4.2%
Travel	$ 766,000	+27.4%	$ 601,000	+ 4.2%
▶ BUSINESS GIFTS	$ 9,628,000	+13.9%	$ 8,453,000	+ 6.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 74,236,000	+ 7.1%	$ 69,315,000	+ 9.0%
Other Premiums	$ 40,232,000	+ 5.3%	$ 38,207,000	+ 6.4%
ELECTRIC APPLIANCES	**$214,384,000**	**+ 3.2%**	**$207,654,000**	**+ 3.4%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 32,210,000	+ 6.4%	$ 30,273,000	+ 0.7%
Travel	$ 13,042,000	- 4.2%	$ 13,614,000	+ 2.6%
Dealer Merchandise	$ 32,358,000	+ 3.9%	$ 31,143,000	+ 7.5%
Travel	$ 51,459,000	+ 7.1%	$ 48,048,000	+ 0.3%
▶ BUSINESS GIFTS	$ 49,574,000	+ 5.0%	$ 47,213,000	+ 1.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 19,088,000	- 8.7%	$ 20,907,000	+13.5%
Other Premiums	$ 16,653,000	+ 1.2%	$ 16,456,000	+ 3.7%
ELECTRIC & LIGHTING EQUIPMENT	**$126,769,000**	**- 0.4%**	**$127,305,000**	**+ 9.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 21,570,000	+ 7.0%	$ 20,159,000	+ 5.2%
Travel	$ 8,562,000	- 8.4%	$ 9,347,000	+ 4.7%
Dealer Merchandise	$ 38,362,000	- 9.2%	$ 42,249,000	+18.1%
Travel	$ 14,940,000	+10.0%	$ 13,582,000	+ 6.0%
▶ BUSINESS GIFTS	$ 29,538,000	+ 3.2%	$ 28,622,000	+ 5.1%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,763,000	+ 2.4%	$ 5,628,000	+ 0.3%
Other Premiums	$ 8,034,000	+ 4.1%	$ 7,718,000	+ 9.8%
ELECTRONICS, RADIO & TV	**$476,813,000**	**+ 3.3%**	**$461,711,000**	**+ 7.9%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 179,614,000	+19.6%	$ 150,179,000	+10.1%
Travel	$ 51,313,000	- 7.7%	$ 55,594,000	+13.2%
Dealer Merchandise	$ 47,579,000	- 9.8%	$ 52,748,000	+11.4%
Travel	$ 103,988,000	- 5.1%	$ 109,576,000	+ 1.6%
▶ BUSINESS GIFTS	$ 49,107,000	- 0.5%	$ 49,354,000	+10.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,097,000	- 11.1%	$ 16,982,000	+ 2.1%
Other Premiums	$ 30,115,000	+10.4%	$ 27,278,000	+ 4.9%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ FARM EQUIPMENT	**$216,467,000**	**+ 7.1%**	**$202,065,000**	**+ 1.4%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 26,868,000	+ 2.2%	$ 26,290,000	+ 8.1%
Travel	$ 28,237,000	+11.0%	$ 25,439,000	+ 3.2%
Dealer Merchandise	$ 72,779,000	+ 0.2%	$ 72,634,000	+ 2.0%
Travel	$ 65,703,000	+17.2%	$ 56,061,000	- 3.1%
▶ BUSINESS GIFTS	$ 13,881,000	+ 5.9%	$ 13,108,000	+ 0.6%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,393,000	+ 4.2%	$ 4,216,000	+ 4.1%
Other Premiums	$ 4,606,000	+ 6.7%	$ 4,317,000	+ 2.5%
■ FEED, FERTILIZER & FARM SUPPLIES	**$195,182,000**	**- 0.4%**	**$195,945,000**	**- 6.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 35,888,000	+ 5.1%	$ 34,147,000	- 0.6%
Travel	$ 14,792,000	- 9.5%	$ 16,345,000	+10.3%
Dealer Merchandise	$ 43,747,000	- 4.7%	$ 45,905,000	- 11.8%
Travel	$ 25,156,000	+ 3.3%	$ 24,352,000	+ 6.9%
▶ BUSINESS GIFTS	$ 13,164,000	- 1.8%	$ 13,405,000	- 9.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,253,000	- 1.2%	$ 18,475,000	+ 9.1%
Other Premiums	$ 44,182,000	+ 2.0%	$ 43,316,000	- 18.3%
■ FOOD PRODUCTS	**$1,557,350,000**	**+ 3.9%**	**$1,499,291,000**	**+ 5.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 190,850,000	+10.3%	$ 173,028,000	+ 0.5%
Travel	$ 35,293,000	+14.5%	$ 30,824,000	+ 1.1%
Dealer Merchandise	$ 128,926,000	+ 6.8%	$ 120,717,000	+ 1.0%
Travel	$ 12,212,000	+17.8%	$ 10,367,000	+16.4%
▶ BUSINESS GIFTS	$ 41,788,000	+ 0.3%	$ 41,663,000	+ 1.0%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 625,216,000	+ 3.2%	$ 605,829,000	+ 6.0%
Other Premiums	$ 523,065,000	+ 1.2%	$ 516,863,000	+ 8.2%
■ FURNITURE & FLOOR COVERINGS	**$94,193,000**	**+ 7.0%**	**$88,042,000**	**+ 8.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 15,082,000	+ 4.2%	$ 14,474,000	+10.0%
Travel	$ 3,934,000	+ 0.6%	$ 3,911,000	+ 5.9%
Dealer Merchandise	$ 40,102,000	+12.9%	$ 35,520,000	+11.2%
Travel	$ 18,106,000	+ 3.5%	$ 17,494,000	+ 4.1%
▶ BUSINESS GIFTS	$ 7,514,000	+ 3.1%	$ 7,288,000	+13.2%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,487,000	+ 1.2%	$ 5,422,000	+ 3.9%
Other Premiums	$ 3,968,000	+ 0.9%	$ 3,933,000	+ 6.2%
■ HARDWARE	**$35,341,000**	**+11.4%**	**$31,724,000**	**- 3.6%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 10,133,000	+28.2%	$ 7,904,000	- 9.2%
Travel	$ 2,682,000	+22.4%	$ 2,191,000	- 6.4%
Dealer Merchandise	$ 9,291,000	- 1.3%	$ 9,413,000	+ 1.8%
Travel	$ 1,109,000	+11.1%	$ 998,000	+11.9%
▶ BUSINESS GIFTS	$ 2,326,000	+ 4.5%	$ 2,226,000	- 4.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,015,000	+ 2.9%	$ 4,874,000	- 6.5%
Other Premiums	$ 4,785,000	+16.2%	$ 4,118,000	- 1.7%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ **HEATING & AIR CONDITIONING**	**$295,833,000**	**+ 7.0%**	**$276,584,000**	**+ 6.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 41,115,000	+17.6%	$ 34,962,000	+ 1.9%
Travel	$ 49,171,000	- 0.8%	$ 49,568,000	+ 7.7%
Dealer Merchandise	$ 104,090,000	+18.0%	$ 88,212,000	+ 1.2%
Travel	$ 53,930,000	- 5.9%	$ 57,311,000	+ 8.8%
▶ BUSINESS GIFTS	$ 27,826,000	+ 3.3%	$ 26,937,000	+27.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,806,000	+ 1.2%	$ 6,725,000	+ 8.3%
Other Premiums	$ 12,895,000	+ 0.2%	$ 12,869,000	+ 5.2%
■ **HOUSEWARES & HOME FURNISHINGS**	**$211,258,000**	**+ 4.4%**	**$202,278,000**	**+ 8.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 51,878,000	+ 0.1%	$ 51,826,000	+18.2%
Travel	$ 9,030,000	+17.3%	$ 7,698,000	+ 2.3%
Dealer Merchandise	$ 25,352,000	+ 8.0%	$ 23,474,000	+10.4%
Travel	$ 7,260,000	+10.6%	$ 6,564,000	+ 6.9%
▶ BUSINESS GIFTS	$ 19,360,000	+10.7%	$ 17,489,000	+ 2.1%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,364,000	+ 2.0%	$ 6,239,000	+ 7.1%
Other Premiums	$ 92,014,000	+ 3.4%	$ 88,988,000	+ 5.8%
■ **INDUSTRIAL CHEMICALS**	**$112,109,000**	**+ 2.8%**	**$109,051,000**	**+11.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 22,060,000	+15.6%	$ 19,083,000	+15.2%
Travel	$ 6,910,000	+ 7.5%	$ 6,428,000	- 0.7%
Dealer Merchandise	$ 38,046,000	- 1.1%	$ 38,469,000	+16.5%
Travel	$ 7,548,000	+ 2.6%	$ 7,357,000	+ 2.1%
▶ BUSINESS GIFTS	$ 18,853,000	- 2.1%	$ 19,257,000	+10.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,660,000	+ 2.1%	$ 4,564,000	+15.4%
Other Premiums	$ 14,032,000	+ 1.0%	$ 13,893,000	+ 5.9%
■ **MACHINERY & SUPPLIES**	**$157,118,000**	**+ 9.7%**	**$143,161,000**	**+ 3.1%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 67,396,000	+13.9%	$ 59,171,000	- 2.4%
Travel	$ 30,899,000	+10.2%	$ 28,039,000	+ 3.8%
Dealer Merchandise	$ 8,883,000	+ 5.8%	$ 8,396,000	+11.5%
Travel	$ 13,835,000	+16.0%	$ 11,927,000	+13.2%
▶ BUSINESS GIFTS	$ 23,740,000	+ 2.4%	$ 23,184,000	+ 8.3%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,852,000	- 2.5%	$ 7,028,000	+ 6.2%
Other Premiums	$ 5,513,000	+ 1.8%	$ 5,416,000	+ 5.6%
■ **OFFICE EQUIPMENT**	**$287,788,000**	**+ 3.1%**	**$279,170,000**	**+ 5.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 56,142,000	+ 0.3%	$ 55,974,000	+ 0.9%
Travel	$ 65,713,000	+ 2.5%	$ 64,110,000	+ 1.2%
Dealer Merchandise	$ 33,291,000	+ 5.6%	$ 31,526,000	+11.9%
Travel	$ 20,407,000	+ 3.1%	$ 19,793,000	+13.8%
▶ BUSINESS GIFTS	$ 31,582,000	+ 6.0%	$ 29,794,000	+ 4.5%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,845,000	+ 2.4%	$ 10,591,000	+ 4.6%
Other Premiums	$ 69,808,000	+ 3.6%	$ 67,382,000	+ 8.0%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ PAINTS & VARNISHES	**$70,476,000**	**+ 9.0%**	**$64,658,000**	**+ 6.0%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 15,911,000	+ 2.5%	$ 15,523,000	+ 4.0%
Travel	$ 5,751,000	+16.4%	$ 4,941,000	+ 5.8%
Dealer Merchandise	$ 13,877,000	+11.4%	$ 12,457,000	+15.0%
Travel	$ 11,526,000	+10.1%	$ 10,469,000	+ 4.2%
▶ BUSINESS GIFTS	$ 2,685,000	+ 4.8%	$ 2,562,000	+ 8.8%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 14,614,000	+12.4%	$ 12,999,000	+ 2.9%
Other Premiums	$ 6,112,000	+ 7.1%	$ 5,707,000	+ 3.6%
■ PAPER PRODUCTS & PACKAGING	**$84,606,000**	**+ 4.4%**	**$81,078,000**	**+ 0.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 10,876,000	+ 1.5%	$ 10,715,000	+ 0.3%
Travel	$ 10,274,000	+ 0.4%	$ 10,233,000	+ 1.1%
Dealer Merchandise	$ 9,647,000	- 6.5%	$ 10,318,000	- 4.5%
Travel	$ 5,005,000	+ 1.1%	$ 4,951,000	+ 2.8%
▶ BUSINESS GIFTS	$ 12,029,000	+ 0.2%	$ 12,005,000	+ 2.8%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 20,245,000	+10.6%	$ 18,305,000	+ 0.4%
Other Premiums	$ 16,530,000	+13.6%	$ 14,551,000	+ 0.1%
■ PETROLEUM PRODUCTS	**$294,990,000**	**+ 2.2%**	**$288,534,000**	**+10.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 62,093,000	+ 2.9%	$ 60,343,000	+ 5.4%
Travel	$ 16,075,000	+ 0.2%	$ 16,043,000	+ 8.2%
Dealer Merchandise	$ 82,026,000	+ 0.8%	$ 81,375,000	+13.5%
Travel	$ 14,317,000	- 0.4%	$ 14,374,000	+ 2.8%
▶ BUSINESS GIFTS	$ 16,719,000	+ 6.7%	$ 15,669,000	+ 4.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 40,197,000	+ 4.5%	$ 38,466,000	+ 9.8%
Other Premiums	$ 63,572,000	+ 2.1%	$ 62,264,000	+15.6%
■ PHARMACEUTICALS	**$191,776,000**	**+5.5%**	**$181,841,000**	**+ 5.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 58,513,000	+11.0%	$ 52,714,000	+ 1.0%
Travel	$ 16,252,000	+ 4.9%	$ 15,493,000	+ 9.8%
Dealer Merchandise	$ 24,331,000	+ 0.3%	$ 24,258,000	+11.0%
Travel	$ 10,004,000	+ 1.7%	$ 9,837,000	+ 8.7%
▶ BUSINESS GIFTS	$ 34,341,000	+ 4.1%	$ 32,988,000	+ 6.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 24,005,000	+ 7.1%	$ 22,414,000	+ 7.4%
Other Premiums	$ 24,330,000	+ 0.8%	$ 24,137,000	+ 0.9%
■ SPORTING GOODS & TOYS	**$55,817,000**	**+ 5.1%**	**$53,084,000**	**+ 7.7%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 9,512,000	+ 7.4%	$ 8,857,000	+14.8%
Travel	$ 6,712,000	+ 2.1%	$ 6,574,000	+ 9.1%
Dealer Merchandise	$ 10,656,000	+ 9.3%	$ 9,749,000	+ 4.7%
Travel	$ 4,599,000	+ 1.0%	$ 4,553,000	+ 3.8%
▶ BUSINESS GIFTS	$ 2,790,000	- 0.4%	$ 2,801,000	+ 8.2%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,520,000	+ 4.5%	$ 10,067,000	+ 6.3%
Other Premiums	$ 11,028,000	+ 5.2%	$ 10,483,000	+ 6.9%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ TOILETRIES & COSMETICS	**$961,511,000**	**+10.4%**	**$871,065,000**	**+ 9.2%**
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 303,414,000	+ 9.2%	$ 277,852,000	+15.2%
Travel	$ 38,870,000	+ 5.2%	$ 36,949,000	+ 2.1%
Dealer Merchandise	$ 95,569,000	+ 6.6%	$ 89,652,000	+ 0.6%
Travel	$ 16,112,000	+ 9.4%	$ 14,728,000	+11.4%
► BUSINESS GIFTS	$ 82,648,000	+12.9%	$ 73,205,000	+ 7.1%
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 205,371,000	+13.3%	$ 181,263,000	+ 6.4%
Other Premiums	$ 219,527,000	+11.2%	$ 197,416,000	+10.2%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ MISCELLANEOUS MANUFACTURES	**$811,278,000**	**+ 5.7%**	**$767,218,000**	
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 134,433,000	+ 5.8%	$ 127,063,000	
Travel	$ 35,912,000	+ 8.2%	$ 33,190,000	
Dealer Merchandise	$ 124,280,000	+ 5.3%	$ 118,025,000	
Travel	$ 27,794,000	+12.4%	$ 24,728,000	
► BUSINESS GIFTS	$ 82,775,000	+10.1%	$ 75,182,000	
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 144,792,000	+ 4.9%	$ 138,029,000	
Other Premiums	$ 261,292,000	+ 4.1%	$ 251,001,000	

SERVICE INDUSTRIES

	EXPENDITURES 1988		EXPENDITURES 1987	
■ BANKS AND SAVINGS & LOAN	**$210,674,000**	**+ 2.6%**	**$205,292,000**	**+ 0.6%**
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 39,238,000	+ 2.3%	$ 38,356,000	+10.8%
Travel	$ 2,556,000	+ 7.4%	$ 2,380,000	+ 1.3%
Dealer Merchandise	$ 2,180,000	+ 4.9%	$ 2,078,000	- 2.0%
Travel	$ 369,000	+ 5.2%	$ 351,000	- 12.0%
► BUSINESS GIFTS	$ 49,348,000	- 0.7%	$ 49,696,000	+ 6.6%
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 19,230,000	+ 2.3%	$ 18,798,000	- 6.6%
Other Premiums	$ 97,753,000	+ 4.4%	$ 93,633,000	- 4.4%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ DISTRIBUTORS & WHOLESALERS	**$1,366,746,000**	**+ 2.6%**	**$1,350,928,000**	**+10.7%**
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 397,207,000	- 1.1%	$ 401,625,000	+ 9.7%
Travel	$ 32,388,000	+ 8.0%	$ 29,989,000	+11.9%
Dealer Merchandise	$ 149,918,000	+ 0.5%	$ 149,172,000	+13.4%
Travel	$ 21,820,000	+ 0.8%	$ 21,647,000	+ 9.2%
► BUSINESS GIFTS	$ 238,502,000	+ 2.4%	$ 232,912,000	+11.4%
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 302,433,000	+ 1.9%	$ 296,794,000	+ 9.2%
Other Premiums	$ 224,478,000	+ 2.6%	$ 218,789,000	+12.3%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ INSURANCE	**$684,648,000**	**+10.0%**	**$622,454,000**	**+ 6.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 237,279,000	+12.9%	$ 210,167,000	+ 6.1%
Travel	$ 207,513,000	+ 8.2%	$ 191,735,000	+10.9%
Dealer Merchandise	$ 14,745,000	+10.2%	$ 13,380,000	+ 4.2%
Travel	$ 78,179,000	+20.2%	$ 65,041,000	+ 8.9%
▶ BUSINESS GIFTS	$ 59,560,000	- 2.5%	$ 61,087,000	+ 2.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 77,544,000	+ 6.9%	$ 72,539,000	+ 0.3%
Other Premiums	$ 8,828,000	+ 3.8%	$ 8,505,000	- 2.4%
■ PUBLIC UTILITIES	**$27,113,000**	**+ 4.3%**	**$26,001,000**	**+ 4.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 6,958,000	+ 4.4%	$ 6,665,000	+ 8.6%
Travel	$ 3,227,000	+ 7.5%	$ 3,002,000	- 2.1%
Dealer Merchandise	$ 3,142,000	+ 0.6%	$ 3,123,000	+ 4.3%
Travel	$ 367,000	+ 2.8%	$ 357,000	- 1.0%
▶ BUSINESS GIFTS	$ 2,689,000	+ 4.1%	$ 2,583,000	+ 0.1%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,481,000	+ 3.6%	$ 5,291,000	+ 5.2%
Other Premiums	$ 5,249,000	+ 5.4%	$ 4,980,000	+ 3.9%
■ PUBLISHERS, PRINTERS & BROADCASTERS	**$288,097,000**	**+ 4.8%**	**$274,948,000**	**+ 8.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 101,289,000	+ 4.4%	$ 97,020,000	+13.2%
Travel	$ 19,850,000	+10.8%	$ 17,915,000	+ 4.0%
Dealer Merchandise	$ 12,840,000	- 2.5%	$ 13,169,000	+10.5%
Travel	$ 5,432,000	- 1.8%	$ 5,532,000	+ 1.2%
▶ BUSINESS GIFTS	$ 36,009,000	+ 4.2%	$ 34,558,000	+ 4.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 76,756,000	+ 5.2%	$ 72,962,000	+ 8.7%
Other Premiums	$ 35,921,000	+ 6.3%	$ 33,792,000	+ 5.3%
■ RETAILERS	**$2,589,189,000**	**+ 3.0%**	**$2,512,990,000**	**+ 4.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 426,508,000	+ 3.8%	$ 410,894,000	
Travel	$ 270,250,000	+ 0.3%	$ 269,442,000	
Dealer Merchandise	$ 49,307,000	+ 2.1%	$ 48,293,000	
Travel	$ 38,539,000	+ 1.4%	$ 38,007,000	
▶ BUSINESS GIFTS	$ 209,775,000	+ 8.3%	$ 193,698,000	
▶ CONSUMER PREMIUMS				
Sweepstakes & Games	$ 198,032,000	+ 6.5%	$ 185,946,000	
Direct Premiums, Trading Stamps	$ 1,396,778,000	+ 2.2%	$ 1,366,710,000	
■ MISCELLANEOUS SERVICES	**$939,373,000**	**+ 7.2%**	**$876,275,000**	
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 265,295,000	+ 7.2%	$ 247,477,000	
Travel	$ 100,749,000	+ 3.8%	$ 97,061,000	
Dealer Merchandise	$ 130,421,000	+ 7.8%	$ 120,984,000	
Travel	$ 75,027,000	+10.5%	$ 67,869,000	
▶ BUSINESS GIFTS	$ 135,125,000	+ 0.5%	$ 134,453,000	
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 171,420,000	+14.1%	$ 150,237,000	
Other Premiums	$ 61,336,000	+ 5.4%	$ 58,194,000	

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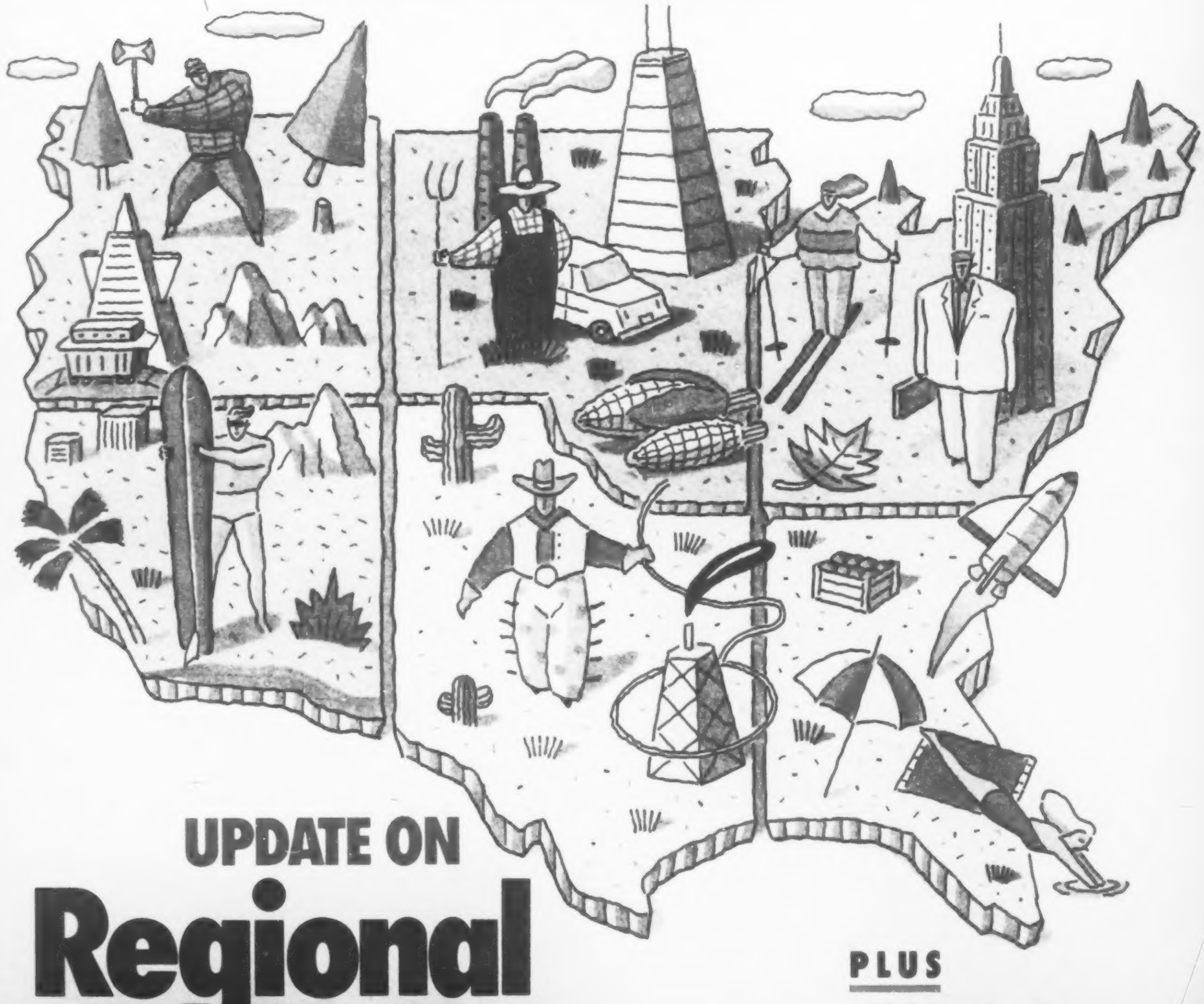
APRIL 1989

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

Divide and conquer?



UPDATE ON
Regional Marketing

PLUS

- Sizing up your purchasing agents
- Managing mergers
- Creative licensing
- Dealer FACTS survey

A BILL PUBLICATION

APRIL 1989

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APPLAUSE

Promotions with character: Disney and Sesame Street licenses are among the most popular.

Want to add cachet to your promotional items? Consider the drawing power of a licensed character or well-known corporate logo.

Creative Licensing

BY MICHAEL GATES

Think you could get Stone Age family man Fred Flintstone to help you sell hamburgers? Would middle-manager of tomorrow George Jetson lend his instant name and face recognition to your software marketing efforts?

If you have a well-conceived campaign with high-quality incentive items planned, the answer is likely to be yes. Fictional characters may be starring in more promotions than real live celebrities these days, as one part of the multi-million-dollar character licensing industry. And the companies that own the rights to these fantasy pitchmen are anxious to license the likenesses to programs they perceive as compatible with the properties.

Cartoon personalities are only one aspect of this lucrative and complex business. Increasingly, corporations are licensing their good names and iconic logos for use on everything from gourmet coffee to giveaway beach towels. Welcome to a world of borrowed identities and adroit promotional match-ups.

"Say you're trying to sell toothpaste or French fries," says Ken Strottman, president of character licensing concern Strottman Marketing in Irvine, Calif. "You already have brand equity for your product, but through licensing, you can borrow more from somebody else. It adds value and creates a point of difference."

Adds Nancy Bailey, president of the Nancy Bailey Company, a corporate licensing agency in New York, "The major advantage is the immediate recognition generated by a brandname. It can add instant value if you license it. In the old days, companies used to create a name [for a product], then promote it. It took tremendous expense and time to create consumer awareness." For many products today, Bailey argues, it makes more sense to license the name of an already well-established brand and use it to add cachet.

The same technique can be applied to promotional items. Instead of giving away generic drinking glasses with each purchase—doesn't everyone already own a cupboard full?—you can offer cups imprinted with characters from a current film with a similar target audience. That is what Wendy's International Inc., Dublin, Ohio, did last year when it offered its fast-food customers glasses imprinted with figures from the family film "Willow," licensed by Lucasfilm Ltd., San Rafael, Calif.

Other examples: The New York-based Bristol-Myers Company licensed the Care Bears from a firm called Those Characters From Cleveland Inc. to use on a set of children's games it offered to consumers of personal care items. In a campaign aimed at dealers, Mars Inc., McLean, Va., used Snoopy as the central graphic element for its "Packed With Peanuts" display contest for Snickers bars. United Feature Syndicate Inc. in New York granted the license.

According to Jack Morrow, licensing vice president at the Applause Gift Company, Woodland Hills, Calif., an astute licensing program instills excitement in salespeople and retailers. If all else is equal, a promotional product with a recognizable name or character attached is simply "an easier sell," he notes.

The key to successful licensing is "appropriateness," says Morrow. 'You've got to know who the character is intended for, what exposure it will get, and how that exposure will be built and maintained." He stresses a proper match between the product and the license. "The closer the marriage, the greater the success," says licensing agent Bailey.

This is where that most useful of marketing tools—demographics—becomes essential. "Whom does the licensed entity appeal to?" is the first question that anyone contemplating a specific character or other property for promotional use must answer.

At the Norwalk, Conn.-based James River Corporation, maker of Dixie cups and dispensers, assistant product manager for kitchen cups Laurie Kopp depends on extensive survey data when selecting characters for her products. Though she buys licensed properties for the company's actual products—not promotional giveaways—her evaluation techniques and criteria could easily be applied to incentive items.

The company subscribes to Cartoon Q, a biannual publication put out by Marketing Evaluations Inc., Port Washington, N.Y., that evaluates the familiarity of hundreds of characters—among them, Garfield the Cat, Charlie the Tuna, Gumby and the Flintstones—by assigning a Q score to each, determined through a survey of 1,000 households. The demographic appeal of each character also is determined by the survey.

Kopp and her colleagues also "look at a lot of catalogues" and keep abreast of the latest offerings through toy and licensing trade publications.

"We look for appeal to mothers and kids ages six to 12," says Kopp. Because Dixie cups are not sex-specific, the company tries to find characters "that are not skewed male or female," she reports. "We want a wholesome appeal. Alf [an extraterrestrial television character], for example, is too obnoxious." Characters for Dixie also must be "adaptable to the size of the cup," she says, and should not depend on strong colors that might overwhelm the product: "The California Raisins are too purple."

■ WHAT'S SELLING

PROPERTY TYPE	PERCENT OF 1988 SALES	SALES (in billions)
Trademarks/Brand Names	31.0	$18.5
Cartoon Characters	18.4	11.0
Sports	13.4	8.0
Designers	10.0	6.0
Art (fine, graphic, etc.)	9.0	5.4
Celebrities	6.5	3.9
Theatrical Films/Plays	4.2	2.5
Publishing	3.0	1.8
Television Programs	2.5	1.5
Music	1.0	0.6
Miscellaneous	1.0	0.6
		TOTAL 59.8

Total 1988 sales of licensed properties for all uses. Source: The Licensing Letter, Scottsdale, Ariz.

Focus groups also can be used to determine the suitability of a licensed property. And there is an annual trade show, where marketers can pick up information, sponsored by the New York-based Licensing Industry Merchandisers' Association. Most of the major licensors showcase their wares here, including comic book publishers, motion picture and television studios, sports leagues, independent character developers and comic strip superpowers like King Features Syndicate and United Media. The exhibitors generally have demographic backup material for each property.

Occasionally, a product/license match-up is such a natural that little research need go into the decision. What better combination, for example, than a line of men's fashion underwear and the logo of the Bronx, N.Y.-based Everlast Sporting Goods Manufacturing Company—which invented boxer shorts in the early 1920's? That at least was the thinking of Chano International, a New York-headquartered apparel manufacturer. "Everlast was the originator of boxer shorts, and we can claim to be selling the original boxer shorts in our advertising," says Chano spokesperson Eli Harari. "It's not a fad label, which might be short-lived. It's very strong with sporting good stores."

Sports-related logos frequently figure in promotions as well. Major professional sporting associations license their logos for use on T-shirts, jackets, caps, basketballs, baseball bats, and so on.

Last year, the Gillette Company, Boston, licensed the New York-based National Football League's logo for use in a sweepstakes that asked consumers to guess who would be named most valuable player. First prize: a set of six NFL glasses. And the Toledo-based Owens-Corning Fiberglas Corporation's NFL team jacket promotion was so successful last year—the company gave away more than 160,000 jackets to customers who bought at least 10 rolls of insulation—that it is running again this year.

Corporate logos and brand names are the strongest segment of the licensing business, according to Arnold Bolka, publisher of The Licensing Letter, a newsletter that tracks the industry. "Corporate brand licensing is one of the oldest forms, but it continues to take on additional strength," he says.

This is partly because of a return to traditionalism in the licensing field, Bolka feels. After several years of a trend toward new, untested characters, logos and symbols, the licensing industry growth rate "bottomed out" in 1987. "From the retailer back up through the pipeline [to the manufacturer], there is a resistance to untried properties," he reports. This spurred a return to time-tested characters like the Peanuts gang and Garfield, and to universally recognized corporate logos. "In 1988, we moved back up to very respectable growth," says Bolka.

One of the best-known corporate entities is the Campbell's Soup can—no small thanks to Andy Warhol, whose series of early 1960's pop-art paintings immortalized the brand's packaging. But surprisingly, the Camden, N.J.-based Campbell Soup Company was slow to cash in on the can's status as a hip American icon. Before 1972, the firm allowed other companies to use graphic renderings of its label for free, says advertising vice president Paul Mulcahy. Only in 1982 did Campbell Soup begin to actively pursue licensing opportunities.

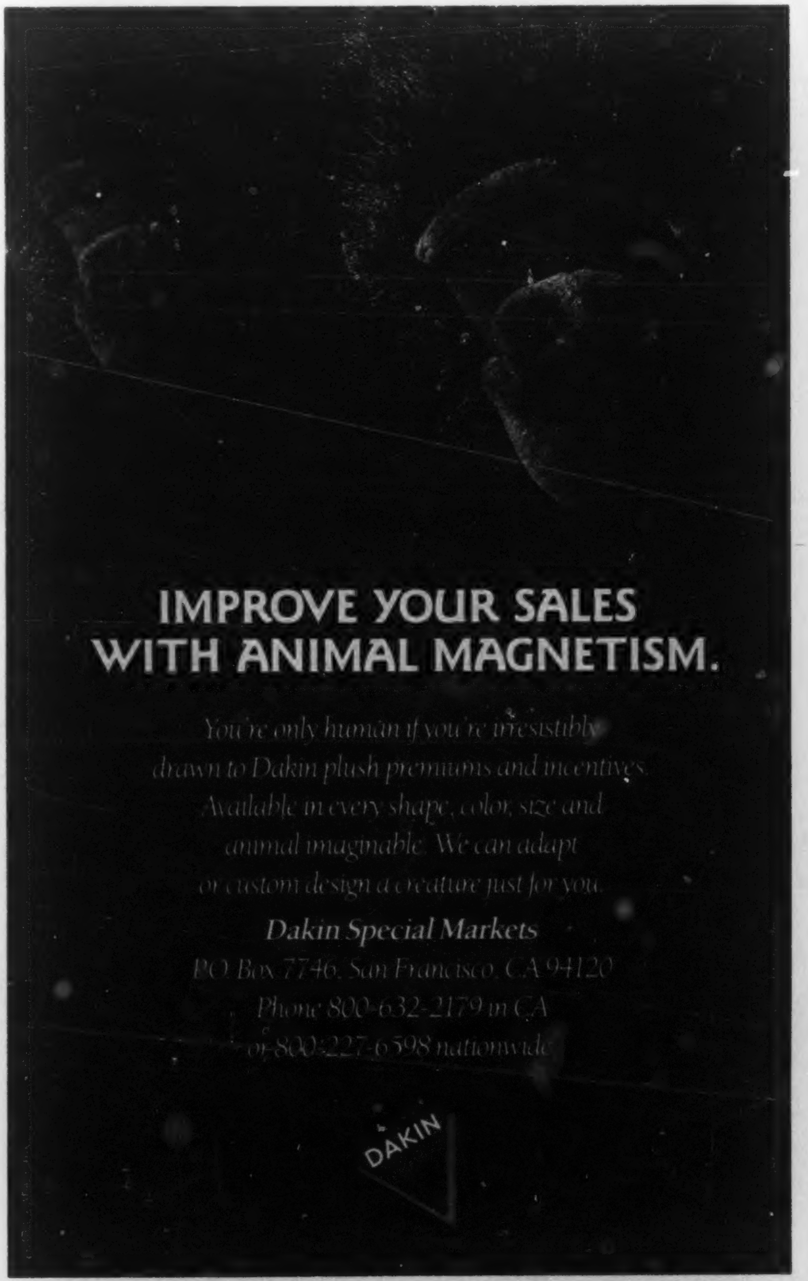
"It provides nice exposure for the brand," says Mulcahy. The company gets a 5 percent to 8 percent royalty on sales of products that use its logo—which is standard in the licensing industry—and is mainly concerned that licensees use it on quality products, he says. The ubiquitous soup cans have appeared on T-shirts, kitchen utensils, refrigerator magnets, Christmas ornaments and many other products—"mostly food related," Mulcahy says. The Campbell Kids characters used in the firm's advertising also are licensed for similar uses.

Campbell Soup's insistence on only associating its name with well-made items and well-run programs is typical of corporate licensors, says Bailey. Most companies want to review potential licensees thoroughly. "The owner of the trademark approves everything and anything involved in bringing [a product that employs a licensed entity] to market," she notes. She calls the process, which requires legal contracts, royalty agreements and liability insurance, "time consuming but usually workable."

Nancy Nicolelis, a spokesperson for comic strip and cartoon character syndicator United Media, says the firm looks for "the quality of the product, the extent of distribution and the money available for promotion" before agreeing to license a property. Both United Media and the character's creator—Peanuts' Charles M. Schulz, for example—must approve any use of the property. Once approved, the syndicator "supports the license" with trade ads, public relations efforts and help in expediting approvals for other uses.

For marketers, the benefits of licensing go beyond the obvious aids of instant name recognition and borrowed equity. The right licensed property can help salespeople sell more effectively as well. "Product knowledge"—an understanding of the license's appeal to both consumers and the trade—will make a big difference in the campaign's success, says Gary Caplan, an independent marketing consultant in North Hollywood, Calif.

"You need to obtain the facts—everything about the license," Caplan advises, and supply salespeople with this information before they go out to pitch your promotion to the trade. For



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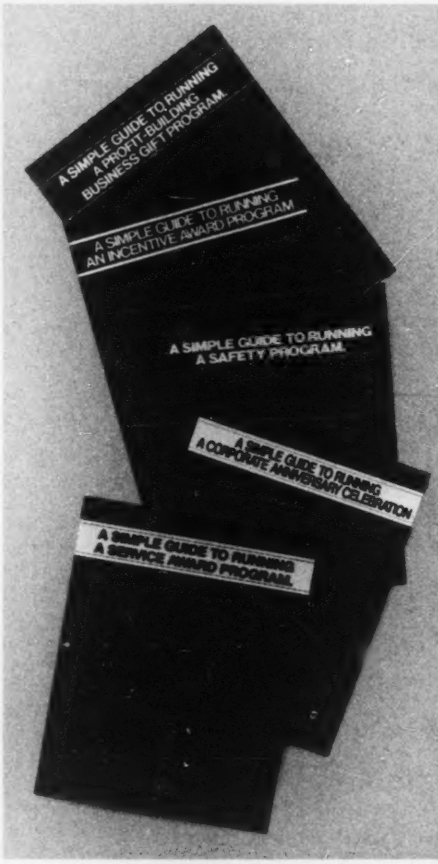
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example, if you are licensing the rights to a film's name, "find out when it will be released, to how many theaters and who is in it."

Licensors should supply video presentations covering all these details, says Caplan. "They should last about five minutes and be available not only to the licensee for sales meetings, but to his salespeople as well, so they can show it to retailers." Lucasfilm, the company that produced "Star Wars," one of the great licensing hits of all time, "was very aggressive and good at attending sales meetings."

There are other ways companies can help salespeople pitch a license-based promotion or sell a licensed product. According to Caplan: "They should provide manuals and bulletins on what's happening with the license." Thermos, for example, whose lunchbox business is "100 percent license driven," publishes its Lunch Lines newsletter every four to six weeks, updating salespeople on licensing activity. "The bulletin should contain sales and 'power' points, such as 'nine out of 10 girls have owned X number of Barbie dolls,' " he says.

Companies should invite licensors to visit their offices, Caplan recommends. At these meetings, the licensor, sales managers and marketing executives should meet face to face. The licensor should bring along samples of other licensees' products and explain how these companies have used the property successfully.

Caplan believes licensors—presumably motivated by the royalties they will receive if salespeople do well—should become the sales force's "selling partners" by going along on key sales calls, perhaps to the top 10 accounts. "Get their spouses and kids involved," he suggests. "Lucasfilm said to sales managers 'give us the names of your reps and their kids and we'll send them fan club material.' " In this respect, even "autographed" photos of Darth Vader or Miss Piggy can be good incentives. And if the budget allows, Caplan suggests sales contests with, for example, a trip to Disney World as a prize for reps using a Disney license.

Do not forget wholesalers and chains. Signs and live character appearances "will make the salesperson a hero to the retailer," says Caplan. ☐

FACTS SURVEY

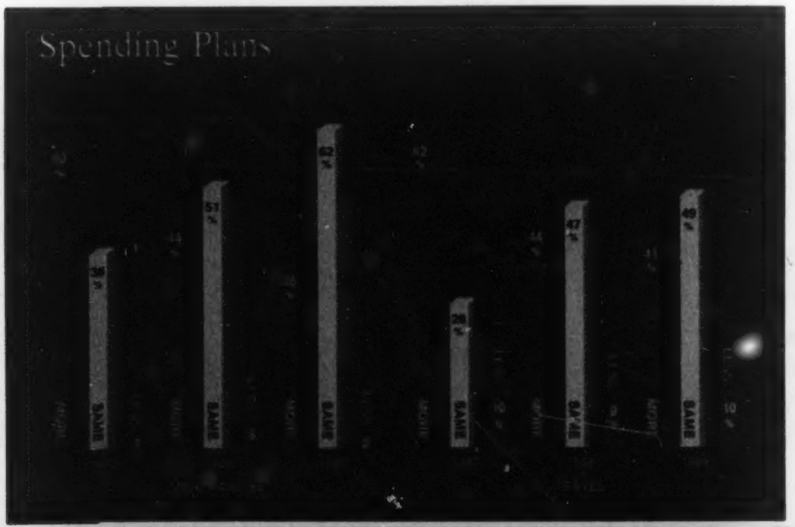
Incentive spending is up this year, while the average cost of awards finally shows some leveling off.

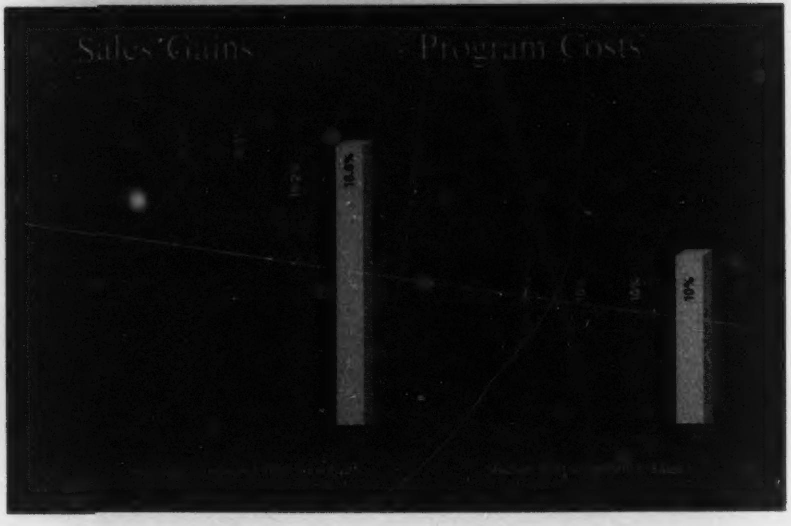
Dealer Motivation

Marketers feel a bit more bullish about dealer incentives than they have in recent years. Surveyed users estimate that they will spend 7 percent more for dealer merchandise and travel this year than in 1988. A year ago, a similar group said they were increasing expenditures by 4.7 percent. But as the year wore on, they loosened the purse strings and upped their activity by 6.3 percent. This year's predictions could yield the largest growth since 1985, when expenditures rose by 8.9 percent.

Performance results from dealer incentives lost ground last year and show only slight improvement in the latest survey: Sales gains average 16.6 percent, up from 16.2 percent in 1988. But in the three prior years, increases averaged 18.4 percent or better.

Participation levels are nothing to get excited about either. The percentage of dealers responding to incentive offerings continues to slip gradually, from 53 percent last year to 51 percent now.





There is good news about the unit cost of awards: some downward movement in place of rapid increases. The average cost of a dealer merchandise incentive is now $195, compared with last year's $228. The median remains at $50.

In travel, the average cost per winner fell to $2,028 from last year's $2,221. But the median—a typical user's cost—rose by $75 to $1,850. In terms of per-person cost, the average trip now comes to $1,265, compared with $1,221 last year; the median climbed $200 to $1,200.

Expenditures for merchandise rose faster than travel costs. The surveyed users plan to invest 8.3 percent more for merchandise, but only 4.6 percent more for travel.

One bright spot in the bottom-line measure of cost is the percentage of incremental sales spent on the program. That figure is only 10.7 percent, down from last year's hefty 14.7 percent. The median cost has remained steady at 10 percent for six years.

The marketers' frequency of dealer promotion has not changed much. About 73 percent of respondents said they use a median of two campaigns offering merchandise only; 42 percent use travel only in a median of one per year, and 23 percent combine both merchandise and travel in the same promotion for a median of one such event annually. The figures add up to more than 100 percent, because over one-third of respondents run programs in multiple categories.

Among the middlemen targeted by these promotions, wholesalers and distributors are slightly more prominent this year—reached by 57 percent, compared with 50 percent in 1988. Retailers receive 34 percent of the offerings; commercial/industrial dealers account for 22 percent, and service contractors for 11 percent. The retailers are of five types: specialty stores, 13 percent; grocers, 7 percent; variety and department stores, 6 percent; drugstores, 4 percent, and service stations, 4 percent.

Most of the dealer promotions—45 percent—push selected items from the manufacturer's line. Thirty-seven percent take a broader approach, featuring the entire line; only 19 percent isolate single items to promote.

On top of award costs, the user must budget for trade participation promotion—printed literature, mailings, meetings, gifts, etc.—which averages 18 percent of total expenditure. The median promotion cost, however, is only 10 percent, neutralizing the effects of a few very big spenders and leaving 90 percent of the total budget for awards.

The amount spent for promotion depends somewhat on the length of the selling period, which varies from a matter of days to as long as a year and a half. A special deal tying the incentive to a specific product purchase averages 10 weeks in length, while a dealer contest or sweepstakes runs to 17 weeks. In a travel program, time to qualify is usually longer: The average this year is 27 weeks.

HOW THEY DO IT

WHO MAKES FINAL BUYING DECISION

56%	Pres., CEO, exec. VP or gen. mgr.
36%	Director of sales or marketing
5%	Product manager or merchandising manager
3%	Director of advertising or sales promotion

HOW DEALER INCENTIVES ARE PROMOTED

75%	Company sales force
53%	Direct mail
34%	Literature with product
28%	Dealer sales meetings
23%	Trade shows
13%	Wholesalers or brokers
7%	Trade-paper ads

WHEN MOST PROMOTIONS ARE LAUNCHED

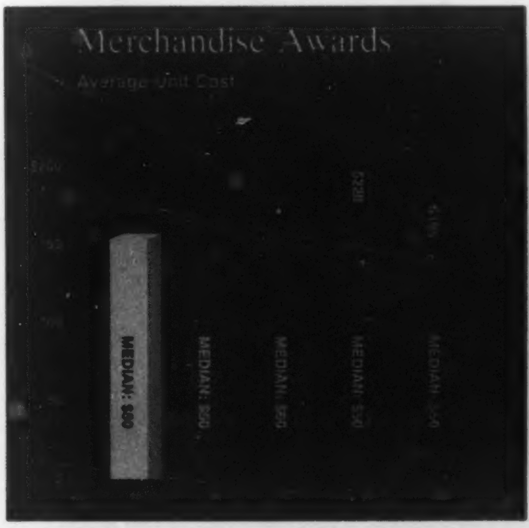
15%	January	7%	July
9%	February	8%	August
12%	March	10%	September
6%	April	9%	October
7%	May	4%	November
9%	June	4%	December

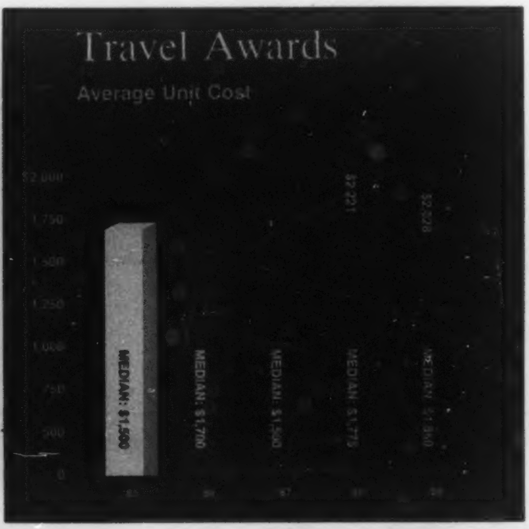
These time figures refer to how long the company spends in the field beating the drum—and do not include the necessary planning period for the campaign. Planning often takes longer than the actual program. In this survey, the average planning time for a merchandise promotion was 13 weeks, and for travel, 26 weeks.

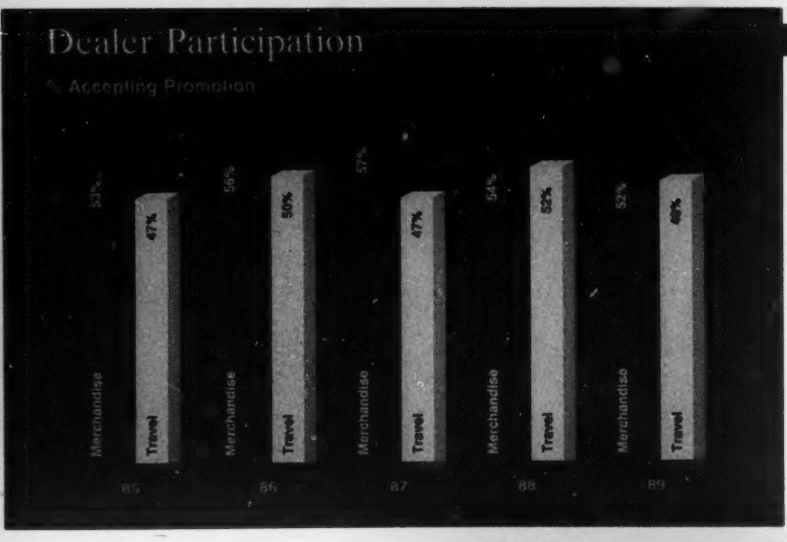
The respondents' complaints and frustrations often revolve around merchandise or travel services suppliers. For the merchandise buyer, problems include getting quotations or samples and delivery delays.

Travel planners have a wider range of concerns. One is cost. "For foreign travel," says Allen Yoder Jr., president of Jayco Inc., a Middlebury, Ind.-based manufacturer, "the cost has increased so greatly it is difficult to [afford] the quality...trips our dealers have become accustomed to. This has happened over the past five years." Yoder, who took between 300 and 350 people on a Caribbean cruise last year, says he is cutting back significantly on this year's travel plans.

At the Edward B. Ward Company, a South San Francisco heating and airconditioning distributor, president J. W. Lazor also is reducing his travel budget this year—and says he has periodic problems with suppliers. "As a Carrier distributor," he comments, "incentive travel is set up annually by the manufacturer. However, we will in certain years choose to run our own trips if we do not find the manufacturer's offering acceptable. When going to an outside travel company, all too often what you preview is not







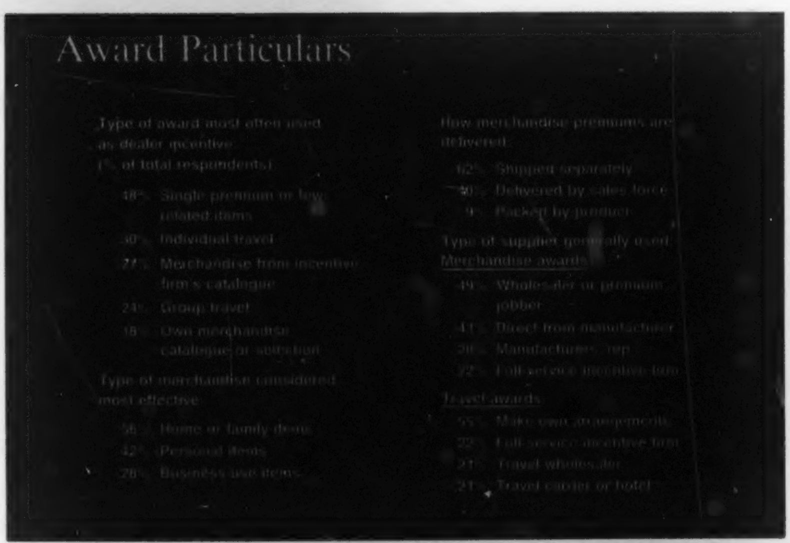
Surveyed users plan to invest 8.3 percent more in merchandise, but only 4.6 percent more in travel programs.

what you get, resulting in unhappy customers. You don't want to spend a lot of money on incentive travel and end up with unhappy customers."

Many say a site inspection before the trip is essential, but Loretta Blinn, marketing manager of Califone International Inc., a Chatsworth, Calif.-based electronics firm, has her doubts. Of overseas site inspections, she says, "The travel is great; the hotels and service are fabulous. The ground service bends over backwards, and the airline is most accommodating. Then the group arrives! I travel with a clipboard in one hand and a whip in the other. These foreign professionals must believe we meeting planners are complete idiots. Half of my time traveling with the group is spent reminding the vendors of forgotten promises. The day that one of my incentives is as good as the site inspection, I will retire....It just wouldn't be fun any more!"

An assessment of a program's overall effect on sales should determine its success. How do users calculate the sales activity that goes into the evaluation? A tally of dealer orders is the most common benchmark, used by 50 percent of the surveyed executives. But three other ways of taking a count are also widely employed: factory shipments, 33 percent; new accounts, 31 percent, and sales-force reports (which may include some parts of the other measures), 28 percent.

This survey is based on the responses of a limited group of dealer incentive users: 168 companies that gave **Incentive** information on their experiences and budget figures for two years. ☐



Award Particulars

Type of award most often used as dealer incentive (% of total respondents)

48% Single premium or few related items
30% Individual travel
27% Merchandise from incentive firm's catalogue
24% Group travel
18% Own merchandise catalogue or selection

Type of merchandise considered most effective

56% Home or family items
42% Personal items
28% Business use items

How merchandise premiums are delivered

62% Shipped separately
30% Delivered by sales force
9% Packed by product

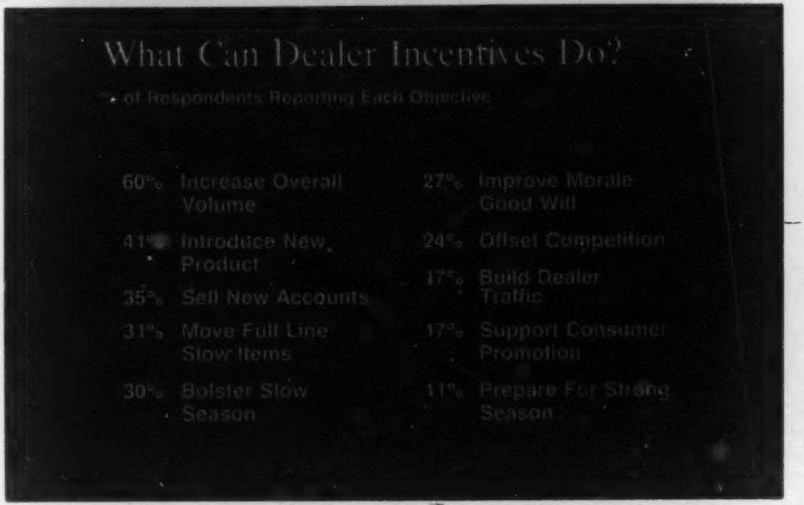
Type of supplier generally used

Merchandise awards

49% Wholesaler or premium jobber
41% Direct from manufacturer
26% Manufacturers' rep
22% Full-service incentive firm

Travel awards

55% Make own arrangements
22% Full-service incentive firm
21% Travel wholesaler
21% Travel carrier or hotel



What Can Dealer Incentives Do?

% of Respondents Reporting Each Objective

60% Increase Overall Volume
41% Introduce New Product
35% Sell New Accounts
31% Move Full Line Slow Items
30% Bolster Slow Season
27% Improve Morale Good Will
24% Offset Competition
17% Build Dealer Traffic
17% Support Consumer Promotion
11% Prepare For Strong Season

From the top: Dealer participation has been slipping since 1986—to 51 percent this year. Most survey respondents choose home- or family-oriented awards acquired from wholesalers or premium jobbers. The usual objective is to increase overall volume or introduce new products.

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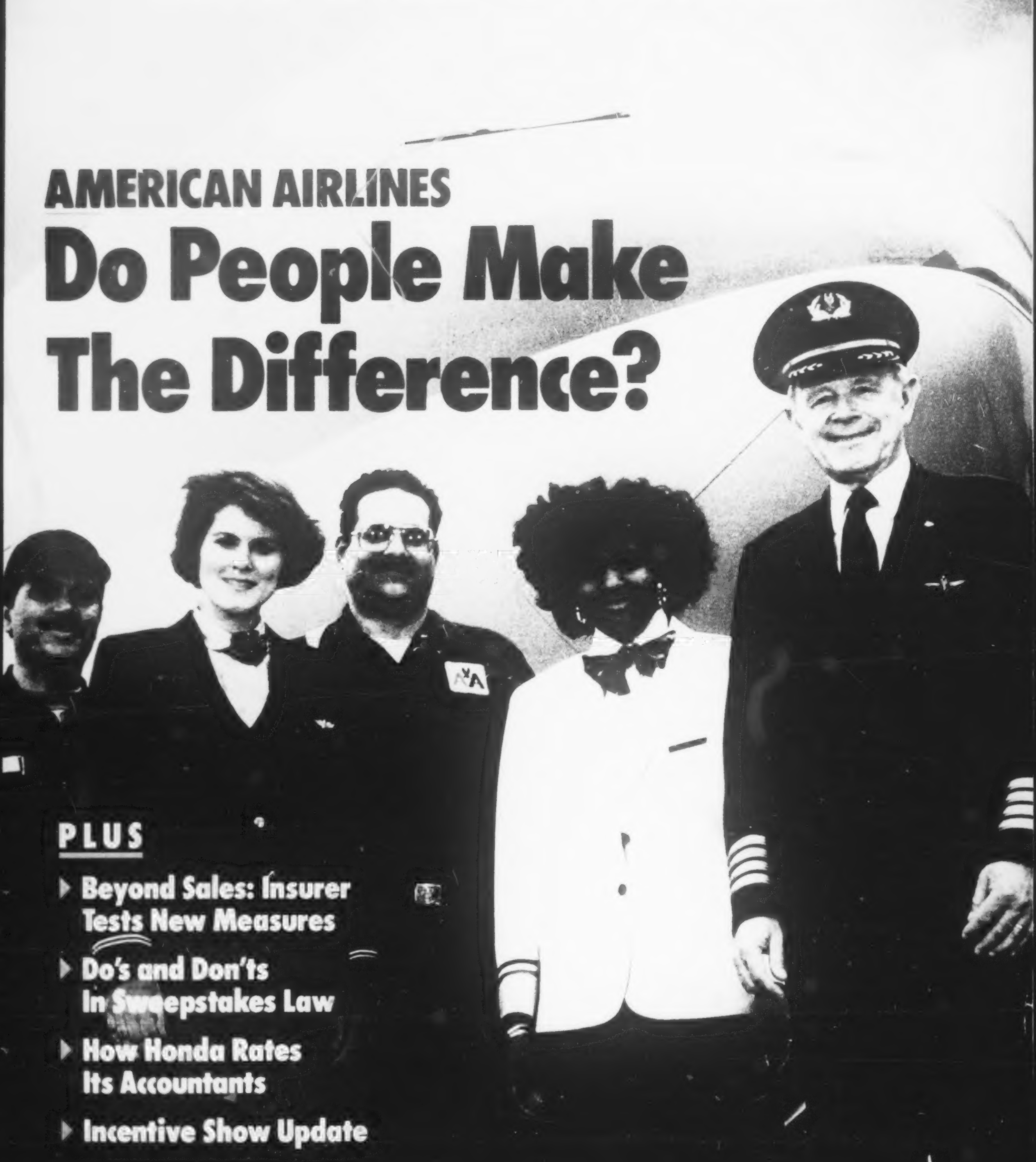

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Do People Make The Difference?

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- Beyond Sales: Insurer Tests New Measures
- Do's and Don'ts In Sweepstakes Law
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- Incentive Show Update

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$100,000 IN PRIZES

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Five distinct regions offer culture, desert spas, wine tastings and great weather.

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A broadcaster's trip to England deepens relationships by treating advertisers like royalty.

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American's Quality of Work Life emphasis is hardly a matter of altruism. Airline analysts agree that a motivated work force is one of the company's most important assets.

AMERICAN AIRLINES

Do People Make The Difference?

BY MICHAEL GATES

Quality of Work Life, the phrase American Airlines uses to describe its employee motivation efforts, sounds more like one of those euphemisms corporations routinely invent to disguise manipulative management techniques. But by most reports, American strives to give the words real meaning. It has to. Contented employees—and the customer satisfaction they create—make a big difference in the deregulated skies of the late 1980's.

Yet as important as Quality of Work Life (QWL) is to Dallas-based American, it all began with a chance encounter. "I remember how it started," said Robert Crandall, chairman and president of the carrier, in a speech to the company's first systemwide QWL seminar in 1987. "Some years ago I was in a rap session with some mechanics in New York, in a hangar late at night, when a veteran employee declared flatly, 'I don't like you.' "

The disgruntled worker, who had 30 years' experience with American, was angry at being denied extra time off to prepare for his daughter's wedding. "That little incident told me there was something wrong," Crandall said, "something that had to be fixed."

The "fix" became QWL, which Crandall says has a "simple" goal: to create an environment where every employee is treated with dignity and respect.

FRED SLAVIN

Despite the lofty rhetoric, QWL is hardly a matter of altruism. Though airline analysts note that other factors are equally important, most agree with Samuel Buttrick, an analyst at Memphis-based Morgan Keegan, who says that "harmonious labor relations are a tremendous asset to any carrier—they show up in the productivity statistics."

Motivated, productive workers do not come cheaply—and American has among the highest labor costs in the industry (see chart). But as Buttrick notes, the high price a company must pay for a happy work force can be mitigated through increased productivity and efficiency. That's a big reason why QWL, and all the programs associated with it, are so important to American—one of the decade's most profitable domestic airlines.

When asked to define Quality of Work Life in practical terms, Jan McCormick, coordinator for the program, explains that QWL groups have met in each American Airlines location since 1984 to discuss the barriers to good morale and efficiency. Issues of communication, work redesign and goal setting often arise, and action plans to correct problems emerge from the discussions.

But American's QWL efforts go far beyond brainstorming and troubleshooting. In addition to the efforts of the three-member QWL headquarters staff, many other employee involvement programs within the company are designed to support the overall quality work life thrust. "Ideaas in Action," for example, is an extensive suggestion program with four goals, according to program manager Robert Stolz:

1. Generate profits from employee ideas.
2. Promote a sense of involvement.
3. Develop an entrepreneurial attitude among employees.
4. Support the corporate QWL program.

"It's designed to develop a sense of involvement, trust and loyalty, and to insure that [quality and efficiency] efforts will be reinforced and recognized," comments Stolz.

"Ideaas in Action" evolved from a trial suggestion program called "Idea Systems" that American mounted, with the help of Fenton, Mo.-based Maritz Inc., for 90 days in 1986. The program was introduced with "lots of hoopla and publicity" to virtually all of American's 60,000 employees, according to Stolz. All received a box containing party favors, hats and an enigmatic statement: "The party is just about to begin."

After some further explanation, ideas from employees began to pour in. The program, designed to save the company $12 million, actually saved nearly $50 million, Stolz claims. Workers whose ideas were accepted received merchandise from the Maritz catalogue.

Surprised and pleased with the results, American decided to institute a full-scale, permanent program under the "Ideaas in Action" banner in 1987. A staff of 50, including 40 full-time analysts who evaluate the ideas, coordinates it at headquarters.

Quality of Work Life has a "simple" goal: to create an environment in which every employee is treated with dignity and respect.

According to "Ideaas in Action" manager Beverly Kohrs, all awards for ideas accepted are issued in Maritz award credits. A minimum award is worth about $75; the maximum equals $37,500. Once the $20,000 level is reached, suggesters can take half the award in cash, if they prefer, and the rest in Maritz credits. Often, groups of employees submit ideas together and share the proceeds. Two groups in the airline's Chicago offices, for instance, combined to submit an idea for a PC-based communications and inventory tracking system that reportedly saved American $241,650 in the first year of implementation. Such lucrative suggestions earn the maximum number of award credits, which can be redeemed for cars and vacations, among other goodies. "A lot of our ideas come from our maintenance base and computer people," Kohrs comments.

Employees simply fill out an official form with their idea and send it to headquarters, where the analysts study it. They in turn present their findings and recommendations to the "implementer"—the person who would end up devoting budget dollars to the adopted suggestion, and who therefore makes the final decision.

■ AIRLINE EXPENSES: WHERE THE MONEY GOES

	American	**Continental**	**Delta**	**Eastern**	**Northwest**	**TWA**	**United**	**USAir**
Labor	36.4	22.0	41.6	35.4	31.3	30.7	34.9	39.0
Fuel	14.6	14.8	14.2	12.2	15.3	14.5	13.8	12.4
Landing Fees	2.0	2.1	1.8	1.7	2.3	2.1	1.7	1.9
Interest	2.4	6.3	0.8	7.5	0.3	7.0	2.8	1.0
Sales Commissions	10.7	8.8	11.1	7.1	19.4	9.5	14.0	7.9
Passenger Meals	5.0	3.2	4.5	2.8	3.3	3.5	3.6	3.4
Advertising and Promotion	3.1	3.0	1.1	3.1	1.4	2.5	2.8	1.5
Other*	25.8	39.8	24.9	30.2	26.7	30.2	26.4	32.9
1988 Operating Revenue (in millions)	$8,550	$4,700	$6,920	$3,800	$5,650	$4,360	$8,980	$5,710
1988 Operating Profits Before Taxes (in millions)	$8.06	($3.15)	$4.97	($3.35)	$2.05	$3.01	$6.65**	$4.34
Profit as % of Revenue	9.4	—	7.2	—	3.6	6.9	7.4	7.6

*Includes administration, communication, rental, insurance and utility expenses.
**Does not include sale of partnership.

Source: Blue Chip Airline Financial Indicators, Airline Economics, Inc., Washington, DC; airline annual reports.

Kohrs points to some impressive statistics for the program: In 1988 there were 12,116 suggestions, of which 23.1 percent were approved, with a cost savings of $31,408,000.

Also under the QWL umbrella is AAchievers, a program that simply recognizes employees for anything they do above and beyond the call of duty. Managers, crew chiefs, lead agents and other supervisors award AAchiever points for such feats as perfect attendance throughout a harsh winter, or helping out during an emergency. Employees redeem points for travel or merchandise.

"You're Someone Special" is a morale-boosting program designed to motivate employees to provide better service—but American frequent flyers do the awarding. Members of the AAdvantage club receive 16 cards at quarterly intervals, which they can present to any American employee who provides them with superior service. The recipients—generally flight attendants and reservation agents—can redeem the cards for credit from a merchandise catalogue or for travel. Each card is also entered into a drawing for travel prizes like weeks or weekends in London or Sydney. "New employees are particularly fond of it because [the travel awards] are not subject to the six-month probationary period for free travel," says recognition programs administrator Betsy Jacob.

The six-year-old program "keeps getting bigger and bigger," she says. "We're producing more and more cards, 10 to 15 percent more each year, and the redemption factor was up significantly between 1987 and 1988." She admits that the increases are due partly to a growing number of AAdvantage members.

There is no limit on how many cards an employee can collect, Jacob reports. One first-class flight attendant, for example, collected 100 cards during the first month of the 1989 program.

The "Special" program, an annual affair, has done much to improve service, the company claims. Independent consumer polls conducted by such magazines as Executive Travel, Frequent Flyer and Fortune during last year's campaign appear to back this up: They rated American tops in service among the leading domestic airlines. And in surveys of its membership over the last 10 years, the International Airline Passengers Association in Dallas also has rated American number one; Delta currently is a close second.

One big drawback of "You're Someone Special" is that it tends to reward only employees who meet the public face to face. Because customers choose the recipients, there's little chance for behind-the-scenes types to feel "special" under this particular program. "It's not equitable," says Jacob. "I hate to admit that, but it's not."

To remedy this problem, American created a program called "You Make the Difference" for employees in maintenance, baggage handling, computer services, etc. It works in a similar way, except that supervisors hand out the cards, not passengers.

The high price an airline must pay for a happy work force can be mitigated through increased productivity and efficiency.

According to McCormick, the company also has a commitment to work redesign, which he calls "the next phase of QWL—finding ways to do the job better," and improving goal setting between workers and supervisors through "better communication."

Other programs inspired by QWL include a biannual survey of employee attitudes. Both good and bad findings—and suggestions for improvements—are distributed to workers. Flight attendants, ticket agents and reservations people regularly take part in informal gripe sessions with managers. And the company has a four-year-old profit sharing plan based on productivity increases. In 1988, $121 million was proportionally distributed to employees, based on salary and seniority.

Sounds great, doesn't it? But are these programs really what make the difference in morale at American? The company is still no worker's paradise, and morale and motivation don't appear to have reached the highest altitudes. Flight attendant Alan Fahringer, who is national communications coordinator for the Association of Professional Flight Attendants (APFA) union, claims there is a fair amount of dissatisfaction among coworkers. "I won't say morale is bad, but people now appreciate that it was better before 1983," he says.

He refers to the institution of a two-tiered wage system at American that year—a concept pioneered at the airline, he says, by none other than Robert Crandall. "I was on the negotiating team [that year]," he says. "APFA represented 20 percent of the work force and less than 10 percent of the wages and compensation, company-wide. We said 'You're already getting low wages from us.' "

But the two-tiered, A-B scale system prevailed, and "B-scale wages hit everybody like a brick in the face," asserts Fahringer. "We were a house divided." The tiered wage system divided workers—pilots and Transport Workers Union of America members as well as flight attendants—into "haves and have-nots," he says. "It festered for three years before we went back to the table."

APFA just concluded its most recent negotiating agreement with American last December. "It was kind of a nasty deal," comments Fahringer. "There was a threatened strike during the holidays, and a lot of bad blood between the APFA management and American." The former two-tiered pay scale for flight attendants has now been unified, though Fahringer calls this "a better disguise." Entry level salaries for flight attendants are frozen, he reports.

When contract talks come up again in 1992, the union intends to do some hard bargaining, saying in effect, "The company is doing so well, the pie is fat," he notes. "We'll say 'employees bought and paid for all this prosperity in the 1980's, now in the 1990's we want some back.' "

Fahringer admits that flight attendant morale is "generally good"—but

CONTINUED ON PAGE 138

FACTS SURVEY

Consumer Incentives

Promotion-induced sales gains should reach 19 percent this year—up from last year's dismal 16.1 percent showing.

After a sluggish 1988 for consumer incentives, moderate optimism has returned. Marketers, who forecast usage gains of 6.3 percent this year, seem hopeful that these promotional stimulants will boost sales and yield other favorable results.

According to **Incentive**'s survey, expenditures rose 4.7 percent last year—although food-products makers, who do 28 percent of consumer promoting, advanced only 2.3 percent.

This year, sales gains resulting from promotions are expected to reach a comfortable 19 percent—up from last year's dismal 16.1 percent showing—which may explain the projected spending increase. Measuring promotion-induced sales gains is chancy at best, but most users have a good sense of what the programs achieve. And these marketers reported sales increases in the 19 percent to 20 percent range for four straight years before last year's downturn.

Use of other types of incentives also can be an effective indicator. Last year, consumer incentive users were decreasing their use of sales incentives. This year's study, by contrast, forecasts a 14 percent increase in sales incentive programs.

Food marketers were not the only group to hold back in 1988. In fact, eight of the top user industries failed to keep up. Only toiletries and cosmetics, the very large second-ranked industry, moved significantly: It increased consumer promotion by 12.2 percent. Paper products and packaging firms were close behind, increasing spending by 11.9 percent, and paints and varnishes gained 10.8 percent. Hardware companies added about 9 percent to their incentive budgets.

Seven industry groups were particularly conservative last year: automobiles and trucks, apparel, furniture and floor coverings, heating and air conditioning, industrial chemicals, machinery and feed, and fertilizer and farm supplies. Among these, chemicals had the greatest expansion at 1.3 percent. Machinery manufacturers reduced spending by 0.6 percent, and car makers' incentive efforts dropped 5.6 percent from the previous year.

The auto industry has made particularly big cuts in promotional spending. Used more and more as a euphemism for discounting, the word "incentive" no longer refers to added value promotion in the auto business.

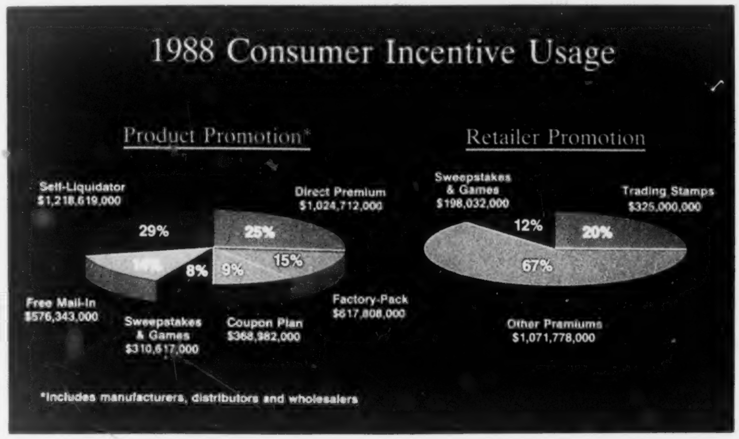
Mail-in promotions rose an estimated 5.5 percent last year, outdoing direct premiums, which gained 3.8 percent. Of the three types of mail-ins, sweepstakes made the strongest showing, up 9.7 percent, while self-liquidators rose 6.2 percent and free mail-ins gained 3.4 percent. The direct premium's modest growth of 3.8 percent came almost entirely in the factory-pack category; basic direct premiums and coupon plans increased only 0.2 percent each.

The coupon plan's fortunes, however, may be changing under the new label of "frequent-buyer" promotion. Though a relatively small category (estimated at $369 million in 1988), it is projected to grow by 15.7 percent this year.

Users predict they will spend another 13.2 percent on self-liquidators, which accounted for expenditures of more than $1.2 billion last year. Free mail-in offers ($576 million last year) should also grow by 11.1 percent.

Overall, the 6.3 percent expansion is skewed in favor of direct premiums, up 6.7 percent. Mail-ins were up 5.8 percent. Total incentive expenditures for both categories in 1988 came to nearly $4.2 billion. The rate of growth now projected will bring this year's spending to about $4.37 billion.

Users of direct premiums plan a median of four such



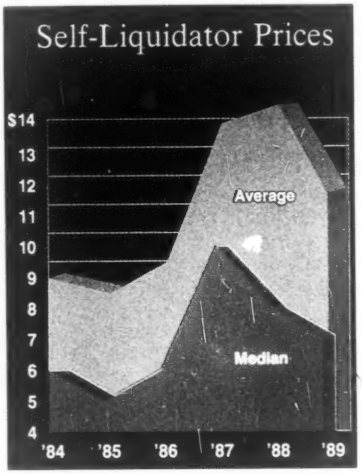
1988 Consumer Incentive Usage

*Includes manufacturers, distributors and wholesalers promotions this year, after a drop to three in last year's survey. Advertisers favoring mail-ins use a median of three, and those who use both types of promotions report a median of five a year. The averages, however, are considerably higher and somewhat misleading, since prolific marketers may conduct as many as 50 promotions annually.

Direct mail has long been the favored vehicle for communicating consumer offers. But its dominance has slipped somewhat, yielding ground to both point-of-purchase advertising and newspapers. Each method is used by more than 40 percent of the survey's respondents. Last year's 27-point spread between direct mail and point-of-purchase shrank to a mere 3 points:

▶ Direct-mail	49%
▶ Point-of-purchase	46%
▶ Newspapers	41%
▶ Television or radio	26%
▶ Trade publications	20%
▶ On-package advertising	15%
▶ Sunday supplements	15%
▶ Consumer magazines	12%

Direct mail has long been the favored way of communicating consumer offers; today, its dominance has slipped, yielding to point-of-purchase materials, which follow close behind in popularity.



Point-of-purchase users this year estimate that, on average, 58 percent of dealers will use the materials provided, up from 49 percent a year ago. The perceived value of incentive displays seems to have risen as well: This year users expect a 31 percent gain in display usage during promotions, against 26 percent last year.

Three of ten users surveyed conduct self-liquidating offers, the largest single type of consumer incentive. Estimates this year suggest a decline in asking prices, now averaging $11.64, down from $14.38; the median also has dropped, to $6.95 from $8 in the 1988 survey.

But the meaning of "self-liquidating" continues to change. This year,

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RESPONSE RATES

MEDIAN NUMBER OF RESPONSES PER 1,000 ADVERTISING EXPOSURES FOR MAIL-IN OFFERS

	PRINT	BROADCAST	DISPLAY	PACKAGE
Self-liquidator under $10	10	5	4	8
Self-liquidator $10 or more	9	8	10	6
Free mail-in offer	21	27	13	14

users say they will liquidate 70 percent of the product's cost; five years ago, users liquidated about 93 percent of the actual cost.

Much confusion results from the questionable practice of adding charges for postage and handling. These are often announced in minuscule type and border on deception: Some charges appear excessive in relation to established costs of fulfillment. This year, 42 percent said they used such extra charges, down from last year's 47 percent. Several years ago as many as 76 percent of users claimed to separate such costs.

Although self-liquidator prices are somewhat lower among this year's respondents, perceived price ceilings continue to rise. Asked "At what price point do you believe consumer response drops significantly?" respondents' answers averaged $33.60, up from the $27.50 average found in the 1988 survey.

No clear evidence shows that testing an incentive offer brings significant advantages. In fact, users are sharply divided on the matter: Only 37 percent said they test mail-in offers, while 55 percent test direct premiums. Most companies still prefer personal interviews, despite the escalating costs:

▶ Personal interviews	46%
▶ Mail questionnaire/ballot	24%
▶ Single offer by mail	21%
▶ Consumer panel	21%
▶ Bounce-back	18%
▶ Newspaper split run	9%
▶ Store panel	9%
▶ Package inserts	3%

A lack of reliable results probably accounts for the disagreement about

EFFECTIVE TECHNIQUES

% OF CONSUMER PROMOTION USERS WHO CONSIDER EACH TECHNIQUE MOST EFFECTIVE FOR REACHING EACH GOAL

	GET SHELF ATTENTION	SELL-IN TO DEALERS	BOOST REPEAT SALES
BEST	DIRECT PREMIUM 29% FACTORY-PACK 16%	DIRECT PREMIUM 29% COUPON PLAN 8%	COUPON PLAN 28% DIRECT PREMIUM 16%
WORST	SELF-LIQUIDATOR 3%	SELF-LIQUIDATOR 3% FREE MAIL-IN 3%	SELF-LIQUIDATOR 5%
	SALES TALKING POINT	**BUILD USER GOOD WILL**	**GAIN AD READERSHIP**
BEST	DIRECT PREMIUM 13% FACTORY-PACK 11%	COUPON PLAN 18% DIRECT PREMIUM 18%	SWEEPSTAKES 16% COUPON PLAN 13%
WORST	SELF-LIQUIDATOR 3%	SELF-LIQUIDATOR 1%	FACTORY-PACK 3%
	OBTAIN STORE DISPLAYS	**SAMPLE NEW USERS**	**COST-EFFECTIVENESS**
BEST	DIRECT PREMIUM 26% SWEEPSTAKES 13%	DIRECT PREMIUM 24% FREE MAIL-IN 13%	FACTORY-PACK 18% DIRECT PREMIUM 16%
WORST	SELF-LIQUIDATOR 2%	SELF-LIQUIDATOR 3%	SELF-LIQUIDATOR 3%

testing. But users this year are more hopeful about their forecasts. They expect an accuracy of plus or minus 22 percent as opposed to last year's estimate of plus or minus 26 percent.

Based on these accuracy estimates, sponsors actually will need from 780 to 1,220 pieces for every 1,000 responses anticipated from an offer. With the plus or minus 26 percent accuracy range reported last year, promoters would need anywhere from 740 to 1,260 pieces per 1,000 responses.

Though 54 percent of testers said they are satisfied with these measures of accuracy, most users forgo testing mail-ins and 45 percent do not test other offers.

Fifty-six percent of respondents feel that an incentive should be "related" to the product with which it is offered, down five points from last year's study. And 62 percent believe that retail-value claims for offered goods should be included in advertising.

The cost of a free mail-in product in relation to the required retail purchase dropped slightly this year to 23 percent from 26 percent last year. The average number of purchase proofs necessary in these offers remained steady at about 2.5 this year.

The situation is similar for factory packs, although the final arithmetic is very different: This type of direct premium accompanies every package, rather than going out only to the relatively few consumers who respond by mail. Users, on average, devote 18 percent of the retail selling price to incentive items, up from 17 percent last year; the median is 10 percent.

Despite the high cost of factory packs, users rate them second as a means of getting shelf attention and providing a talking point with the trade. Eighteen percent, the largest number, rank factory packs first in overall cost-effectiveness.

The direct premium, as usual, captures the lead for effectiveness in the survey, taking top position in five out of nine categories this year (see chart page 46).

The coupon plan, after a long period of decline, is seeing a revival. Users this year give coupons top honors for boosting repeat sales and building user good will, and they come in second as a means of selling-in to dealers and gaining ad readership.

Meanwhile, the self-liquidator fell to the bottom in nearly every category. It is no longer even considered cost-effective, which was its only advantage until this year. Yet it remains the most widely used consumer incentive and one that users say they will invest in heavily this year. ☐

Only 37 percent of respondents said they test consumer offers; those that do expect an accuracy rate of plus-or-minus 22 percent, compared with 26 percent last year.

Society of Incentive Travel Executives

—PRESENTS—

1989 UNIVERSITY OF INCENTIVE TRAVEL

JUNE 25-30, 1989 • LAS VEGAS

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Here's a preview of the 1989 program:

- Keeping Your Customers Loyal
Michael LeBoeuf, professor at the University of New Orleans, addresses how your company can better serve its customers and discusses the role incentive travel can play in the customer satisfaction movement.
- How to Reach Hard-to-Reach Buyers
Dr. Charles Dwyer, Ph.D., professor at Wharton School of the University of Pennsylvania, will lead a special one-day seminar that will help you find ways to identify and influence hard-to-reach decision-makers.
- Alternative Measures of Sales Performance
Don McAdams, senior vice president at the American Productivity and Quality Center, will address innovative new measures of sales performance used not only to improve the results of incentive travel campaigns but also to help you gain a new understanding of the components of successful selling.
- The New American Traveler
Paul Grimes, editor at large, Conde Nast's Traveler magazine, discusses changes in the way people are traveling and what these changes mean for incentive travel planners.
- Corporate Case Studies
Brian Ruder, vice president, consumer products, H.J. Heinz U.S.A., Richard Powers, executive vice president, Harris-3M Corp., and other corporate executives discuss how their companies use incentive travel to meet management and marketing goals.
- Incentive Travel Around the World
SITE members from Australia, West Germany, Canada and other countries discuss growing incentive travel usage outside the United States.
- Freshman Orientation
Michael Hurwitz, president of United Incentives Inc., provides a special afternoon introduction to incentive travel for freshmen on the day before formal classes begin.

This is just some of what you'll find at this year's University of Incentive Travel. For more information, contact:

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U.S. Sales: Hyatt International — 200 W. Madison St., Chicago, IL 60606, (312) 750-8001. *Contact:* Robert Estum, Sales Dir., N.A.

THAILAND

DUSIT THANI HOTEL — Silom & Rama IV Rd., Bangkok 10500, (66 2) 236-0450. *Contact:* Chatchawal Supachayanont, Sales Dir. *Rms:* 488. *Suites:* 37. *Peak months:* Jan, Feb, Mar, Oct, Nov, Dec. Maximum group size: 200. Theme parties. Incentive promo material. *Activities/Facilities:* Cocktail lounge; Coffee shop; Disco; Health club/gym; Live entertainment; Meeting rooms; Outdoor pool; Restaurants; Sauna; Tennis.

U.S. Sales: Steigenberger Reservation Service — 40 E. 49 St., New York, NY 10017, (212) 593-2988. *Contact:* Peter Rose, VP & Gen. Mgr.

SOUTH PACIFIC

SOUTH PACIFIC TOUR PLANNERS — 25201 Paseo de Alicia, Ste. 240., Laguna Hills, CA 92653, (714) 837-4981, (800) 421-3197. *Contact:* Robin Temaiana, Grp. & Inc. Travel Mgr. Maximum group size: 3,000. Rate guarantee in months: 12. Incentive promo material. Theme parties. ☐

QUEEN FOR A DAY

CONTINUED FROM PAGE 132

Bernard Mann says London is "one of those destinations people love to go to. If you've been there before, you'd like to go back, and if you've never gone there, you've always wanted to." Kean estimates that the Mann Media trip had a retail value of $1,839 per person.

"We try to match the destination with what the guests would like, as opposed to what I would like or what my client would like," Kean says. "This group was middle-aged. Some were sophisticated travelers; others hadn't traveled at all. So London was a harmless yet motivational destination. It doesn't intimidate people the way some places can. There are no language problems, and it's so easy to get around."

The little extras make the difference on incentive trips, notes Mann, who goes along on the trip every year. For example, the company launched the "Adventure in England" with a bon voyage party at the Piedmont gate on the day of the group's departure from Greensboro. After a brief stop in Charlotte, the Piedmont flight went nonstop to London's Gatwick airport.

In addition to stimulating sales, a travel incentive that treats its winners like royalty provides other long-term benefits, Mann believes. "We only permit the president of the company to go—the chief operating officer—and so we develop good relationships with top executives." If a COO can't make the trip, Mann sometimes lets another senior executive go—but he insists that all attendees be decision makers. ☐

SHARING THE SAVINGS

CONTINUED FROM PAGE 101

time," says Ken Nelson, who has been with the company for two years and won the Jeep last year. The Safety Sweepstakes helps people do that, he adds.

The program "helps keep people working for the company," says Minkler. "We haven't had the hiring problems we had in the past."

And he can pinpoint even more quantifiable benefits. The amount that a company pays for workmen's compensation insurance is based on its "experience model"—its accident rate versus that of the industry. "We've seen a drop in our experience model and in the number of accidents we've had over the past two years," says Minkler. Currently, the firm pays $21 per $100 of payroll, or a total of about $2 million, for workmen's compensation. When the company's three-year record is reviewed for 1990, "our rate should go down to 60 percent of that $21, and we could save $800,000," Minkler says.

Employees who remain accident- and violation-free —and whose work passes a quality inspection by superiors—earn tickets for a monthly prize drawing.

Says Bolin, "We're rewarding our employees by sharing with them the dividends we get back." ☐

COVER STORY

CONTINUED FROM PAGE 18

only when compared to some other airlines. "There are basically two forces here," he says. "Compared with our counterparts at other airlines, we're feeling pretty good. But in our last contract, our work rules changed." Soft-time compensation—the amount attendants are paid for waiting around on the ground—has been cut, he says, amounting to a one-day pay cut per month. Flight attendants at American work 12 extremely long days per month, and must now work 13 months for 12 months' pay, according to Fahringer. "We're also lucky if we have eight hours behind a hotel room door to sleep" between assignments, he adds.

How does the union feel about American's involvement and motivational efforts? "The company doesn't solicit our opinion on those," says Fahringer. "Generally speaking, the position of the union is a non-position. They have a right to motivate their employees any way they want. The union position is 'That's nice if you want to do it, as long as it doesn't infringe on work rules and pay.' "

Fahringer claims that many flight attendants are barely aware of what he calls "these nice little Brownie-point programs." If a flight attendant "wants to play those games," he says, "more power to them. Some have gotten a big check out of it.

"If these...programs are supposed to increase morale and make us feel like owners, then I think a stock ownership plan would do that better," he adds, "especially since American Airlines stock is so undervalued." A middle-level manager, commenting on the company's motivation efforts, said, "We sometimes joke about QWL, but at least management is trying."

Louis Marckesano, an airlines analyst with the investment firm of Janney, Montgomery, Scott in Philadelphia, agrees with some of Fahringer's points. "Some things they have done have been rammed down [employees'] throats," he says, "such as the two-tiered wage system. American said it wanted to hire new people at market rates for a short time, which would enable it to expand rapidly and improve things down the line."

Nevertheless, "right now, most employees at American are happy," Marckesano says. Does he see a connection between this relatively satisfied workforce and American's high ranking among travelers? "Oh sure. There's nothing worse than having a disgruntled employee meet you at the check-in counter. American has a reputation for service, and business travelers are willing to pay more for that....American is rated very highly, especially by business travelers."

He sees no contradiction between the airline's high labor costs and its high profitability. "You can't look at any one factor in a vacuum," he says. "There are other things involved—marketing, management and the efficiency of the system."

The Department of Transportation in Washington rates American highly on efficiency, as measured by on-time performance. In 1988, the airline ranked fourth out of the top 14, with an 83.2 percent on-time record.

Other analysts tend to agree with Marckesano's assessment. Tad Trantum, an analyst with J.C. Bradford and Company in Columbus, Miss., cites Crandall's leadership as key to American's relative success with employees. "He has greater respect from employees than other CEO's in the industry. He's not a pansy, though—he's well respected as a good negotiator....The company has a pretty good relationship with the unions, but it doesn't roll over and play dead. Employees respect the company...and that permeates the organization."

Though he notes that the Transport Workers recently rejected a contract with American, Morgan Keegan's Buttrick also stresses that American has been generally successful at establishing congenial relations with employees. And he feels that is one of the prime reasons behind the airline's success: "Good relations with employees mitigate labor costs, making for greater productivity." He reiterates that productive workers are "a tremendous asset."

Even Fahringer, for all his criticisms, could not agree more. "Good employee relations are valuable right now," he notes. "And Crandall understands the advantage of that." ☐

■ SOUTH PACIFIC

CONTINUED FROM PAGE 120

flight away).

For fun, groups take bay cruises and excursions into the mountains on the various islands. On Moorea, Tiki Village gives visitors an insight into Tahitian life. It's particularly fun to go out fishing—in outrigger canoes—with village staff.

Each week, 10 flights arrive in Tahiti from the West Coast. Service is provided by Air France, Air New Zealand, Continental, Qantas and UTA..

There are approximately 1,100 hotel rooms suitable for incentives in French Polynesia. They are concentrated on the main island of Tahiti, Moorea and Bora Bora. Hyatt is one of the newest operators, having taken over the Hotel Tahara'a outside Papeete last year. All 200 of the hotel's rooms overlook stunning Matavai Bay. ☐

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1989

MANAGING AND MARKETING THROUGH MOTIVATION

Timothy Dalton as James Bond in United Artists' "The Living Daylights"

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- **Employee teams boost bank's business**
- **Efficient distributors reap unique rewards**
- **Quality circles: Will they survive?**

MOVIE TIE-INS

Hollywood changes its tune

A BILL PUBLICATION

JUNE 1989

INCENTIVE

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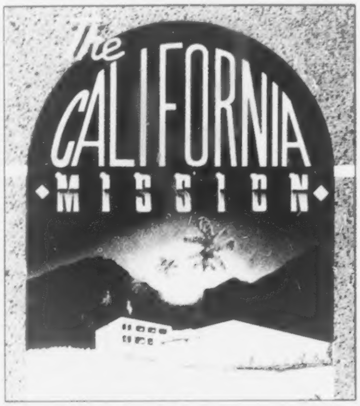

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INCENTIVE (formerly Incentive Marketing/Incorporating Incentive Travel) covers the methods used by organizations to motivate customers at all levels to buy and employees to work more effectively.

Cover photograph: Shooting Star

With an eye on productivity improvement, American business is pumping more money into formal in-house motivation programs.

FACTS SURVEY

Nonsales Incentives at Work

American employers are embracing motivation programs for nonsales workers at an unprecedented rate, according to the testimony of more than 200 companies surveyed by **Incentive**.

In 1988, our first survey of employee incentive practices found an 8.4 percent increase in spending over the year before—growth well above that found in the marketing arena.

But that was just the beginning: An average budget expansion of 18.9 percent is indicated for 1989, based on the plans of the 212 firms that released expenditure information for both years. Such acceleration reflects a widening awareness that U.S. productivity growth is sluggish when compared to that of Japan, West Germany, France and the United Kingdom.

Indeed, productivity is the primary objective of the survey respondents' programs, both for the office and the plant. Quality control, safety and employee suggestions follow as important objectives—all of them also exerting a real, if less direct, influence on productivity. Most of the programs run throughout the year; that is the practice of 64 percent of respondents. On average, about 46 percent of eligible employees earn awards for their performance against company goals.

The responding firms range in size from two employees to 20,000, with an average of 772. Eligibility varies widely, depending on the nature of the program and its objectives. On average, 57 percent of the work force participates. For about one company in four, more than half the eligible employees are union members. But in only 10 percent of these cases do union contracts contain provisions relating to the award programs.

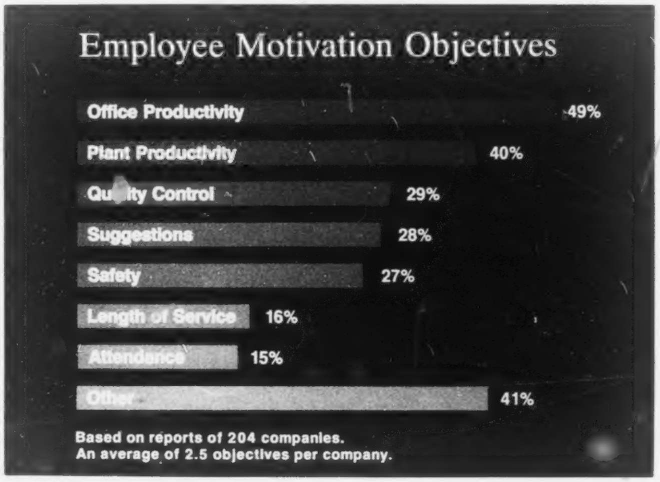
More companies this year report using cash and selected merchandise awards. Spending on merchandise purchases is expected to increase 27.5 percent this year; cash awards show a healthy growth of 19.8 percent. Travel expenditures are up an estimated 6.7 percent.

Office employees are the most popular target group, favored by 72 percent. (That translates to 28 percent of all reports, as shown in the frequency chart on page 47.) Motivating production personnel is the objective for 52 percent of responding firms. Sales-support workers—counter and telephone people, drivers, merchandisers—also are the targets of about 52 percent.

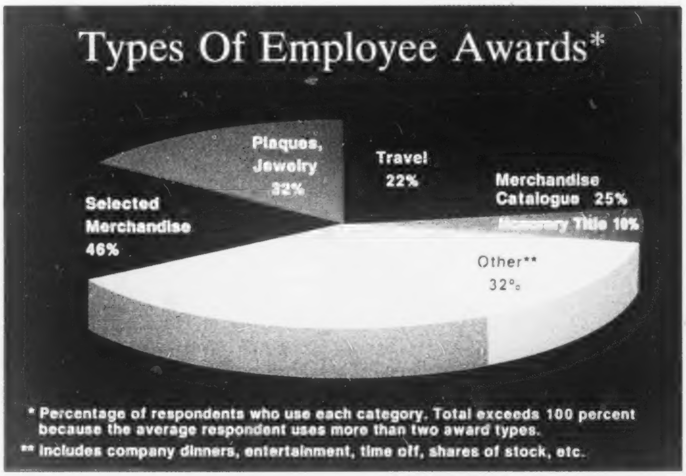
Sales-support workers can be even more widely defined, especially in service businesses where most of what the employees do has a direct bearing on the selling effort. For example, Topeka-based Kansas Power & Light offers merchandise, travel, cash and recognition awards to more than 4,000 employees to encourage them to help increase sales. About 25 percent earn awards, according to marketing projects director Robert G. Tate.

Similar support programs are common in banking. For example, a Pennsylvania bank offers more than 1,000 employees awards for customer referrals, with about 10 percent winning cash prizes. "Referrals have been a significant source of new business," an officer says. "The referral program accounts for over 75 percent of new business brought in each year."

Monroe County Bank, Monroeville, Ala., used cash awards to build credit-card business. "I divided the employees into four groups or teams," reports vice president Elaine P. Brooks. "For each approved application, the employee got $2 and the team got $1. At the end of the contest, the team pot of money was divided



Based on reports of 204 companies.
An average of 2.5 objectives per company.



* Percentage of respondents who use each category. Total exceeds 100 percent because the average respondent uses more than two award types.

** Includes company dinners, entertainment, time off, shares of stock, etc.

among its members, except for the losing team. They had to take their money and give the rest of us a party. We got over 300 cards out."

Office employees become sellers for the Rachman Trading Company, Brooklyn, N.Y., according to vice president Jim Seeley. About 20 are involved in merchandise and travel award programs, and about 40 percent of them win. "Nowadays, when our slow time of year comes," says Seeley, "our people don't sit around and wait for business to throw itself on our doorstep. They go out and try to find it in any way possible, due to the motivational incentives they can earn throughout the year."

Most of the companies work hard to promote participation in their award programs. Face-to-face encounters at employee meetings are the favorite approach, used by 77 percent of respondents. Meetings are followed by posters and bulletin boards (48 percent), announcements by supervisors (46 percent) and employee publications (41 percent) as promotional channels to build interest. Fifteen percent mail promotional materials to the employees' homes.

Some of the most effective nonsales motivational programs rely heavily on fostering cooperation—albeit within a competitive framework. Competition between groups or departments—designed to promote cooperative teamwork—is the basis of incentive plans for about 30 percent of the users.

Says Steve Ward, sales manager of Gardener Marsh Gas Equipment, a Raleigh, N.C.-based distributor of appliances: "Employee motivation awards help emphasize teamwork among our sales-office and warehouse staff. We usually pair one or two from each division and let them work together to help the territorial salespeople meet their sales quotas. Charts are posted daily to let each team see how it stands. The team that makes quota or the highest percentage over quota is the winner, and each team member gets a merchandise award, or they draw for a single large prize."

During one recent period, however, circumstances prevented the company from using an incentive program. "I feel morale and business are hurting," concludes Ward.

On average, about 46 percent of eligible employees earn awards for their performance against their company's objectives.

The value of awards, whether cash or noncash, varies greatly. The range among survey respondents is from $1 to $6,000. The average is $346; the median is a much lower $75. Last year's responding employers spent more per award, averaging $423 with a median of $100.

A nursing home offers six different levels of cash or merchandise to workers, from $25 to $500. Eighty of the firm's 200 employees are involved in the continuous program, which "has turned the company around, reduced staff turnover and increased sales from $6 million to $8 million." The total annual cost of the awards is only about $6,000.

In another health-care application, Cleveland Memorial Hospital, Shelby, N.C., uses a year-round award plan for all 825 of its employees. Awards are primarily cash, with some recognition items. Attendance and tenure are emphasized, and 15 percent win awards.

Vice president of professional services M. A. Hudson comments, "We have seen improvement in attendance and are considering expansion of this type of incentive. As a nonprofit health-care corporation, it is difficult to establish equitable and acceptable incentive programs for public-relations reasons. We are always looking for ways to show our employees they are valued members of the team, however."

A low-cost program for 200 employees of North Central Labs in Edina, Minn., stresses customer service. Sales manager Edward D. Bankey credits the quarterly recognition campaign with increasing sales by 44 percent. Customer service, he says, "improved 40-plus ways through value-added suggestions by our employees...hundreds of thousands saved in overhead expenses."

An Eastern chemical manufacturer uses incentives to improve plant productivity and safety. About 400 plant employees are eligible, and more than a third of them earn cash or recognition awards ranging from $15 to $1,000 in cost. The incentive program, an executive reports, has "improved efficiency of production personnel. .and reduced lost-time accidents over 48 percent."

Measurable safety results of impressive proportions are reported by the Engelhard Corporation, a Newark, N.J.-based chemical company. In a safety campaign targeting all 140 plant employees, merchandise awards are offered and 100 percent are winners, according to safety manager Barry R. Weissman. "Through the use of incentives and our safety award program," Weissman says, "this plant has gone 1,772,320 [man] hours without an OSHA lost-work-days case."

Controlling employee turnover is one key to enhancing productivity, and that is a major focus of the plan used by Atlantic Data Furniture, a Tampa, Fla.-based manufacturer. "Good attitude and work habits" are important goals, notes marketing coordinator Paula Parrish. "Through the use of our two programs for employee motivation—the 'employee of the month' program and our quarterly bonus program—our turnover has decreased. Formerly, we had high turnover and low morale. Through the addition and publication of these two programs, employees see the benefits of staying with us and potentially increasing their quarterly bonus amount and other benefits through increased sales, decreased returns and attention to detail on their particular aspect of production."

Fifty employees are covered by the firm's continuous campaign, and half of them earn plaques, jewelry or cash. Company meetings, publications, bulletin boards and press releases are used to enhance the recognition value.

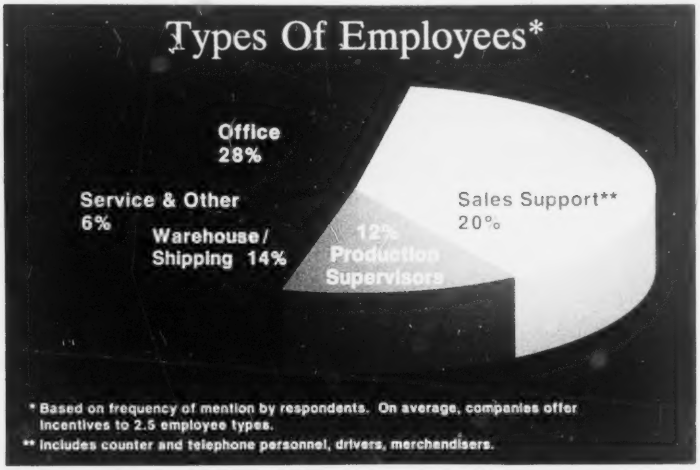
Employee meetings are the favorite way of presenting and publicizing awards among the surveyed companies; 63 percent use this means. Four other methods, each employed by 35 to 39 percent, include company publications, department meetings, bulletin boards and private presentations. Twelve percent issue press releases on the winners and their achievements.

> **"Employee motivation awards emphasize teamwork among our sales-office and warehouse staff. We pair one or two from each division and let them work together to help the territorial salespeople meet their quotas."**

While most employee incentive programs use preset standards of achievement, others de-emphasize the direct inducement. At the Westinghouse Electric Corporation, Alamo, Tenn., 185 division employees are eligible in a continuing program related to quality control, safety and attendance. But, says administrator Donald E. Phillips, "since rewards are after the fact, there is very little motivational force involved. We don't tend to use the 'carrot and stick' philosophy, but ask our employees to continually monitor their quality and output performance. We reward the extra effort by peer input on a monthly basis." About 10 percent of the workers win low-cost merchandise awards.

Robert J. Klein, vice president of Klein Tools, Fort Smith, Ark.—a company that invests more than 1 percent of its sales in cash awards—ticks off an impressive list of benefits growing out of an incentive plan for 115 office and production workers: valuable employee suggestions, a productivity increase of 3.5 percent, better quality products, departmental cooperation and a more efficient manufacturing process. ☐

Types Of Employees*



* Based on frequency of mention by respondents. On average, companies offer incentives to 2.5 employee types.

** Includes counter and telephone personnel, drivers, merchandisers.

LOOK FOR OUR SURVEY REPORT ON THE USE OF BUSINESS GIFTS IN NEXT MONTH'S ISSUE.

JULY 1989

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

S SURVEY
Business Gifts

SOFT·DRINK·SALES

Tim Tenney, president of the Pepsi-Cola Newburgh Bottling Company in New York

Motivating the Middleman

PLUS

- ▶ Insurance agents: Now quality counts
- ▶ Red tape vs. innovation at IBM
- ▶ Coping with relocation trauma

A BILL PUBLICATION

JULY 1989

INCENTIVE

85th YEAR, VOL. 163, NO. 7

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- **Food Brokers Favor Regional Marketing**
A recent study points to the success of localized promotions for supermarkets.
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- **Bill Communications Buys Health Care Magazines**
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- **Adroit Media Mix Helps MEM Reach Targets**
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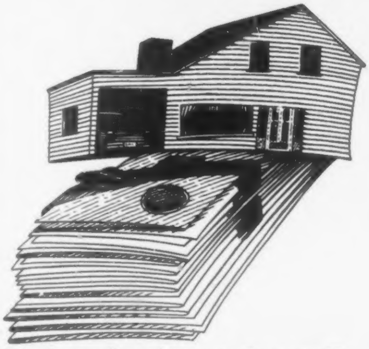

Bringing quality to insurance. See page 17.

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INCENTIVE

INCENTIVE MARKETING

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35 Powerful Promotions Win Awards
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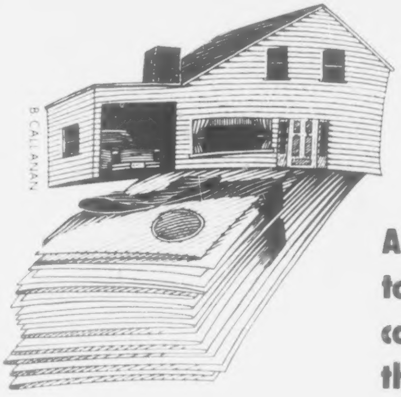


B CALLANAN

INSURANCE

Motivating Through Quality

As business gets tougher, insurance companies increase their reliance on quality-based measures of sales productivity.

BY REGINA EISMAN

Business sense dictates that companies focus on numbers when measuring sales productivity. But insurance providers realize that it makes just as much sense to use quality-related measures to motivate their agents.

Quantitative measures—number of policies written, commissions earned and total amount of policy premiums, for example—will never be abandoned, but some companies have placed more emphasis on quality over the past several years. Although there are some companies that have used quality measures for a long time, consultants and other experts who follow the insurance industry say, in general, companies are more interested in maintaining quality business than they have been in the past.

These measures are important to insurers for a number of reasons. "It's a tougher world out there—it's very competitive," said Charles Watson, president of Charles Watson Associates, an insurance consulting firm in Wethersfield, Conn. A 30 to 40 percent decrease in the individual agency population over the past five years—due mostly to sales and mergers—could be a contributing factor to the intense competition, he noted.

"They [insurance firms] are losing money, so they are becoming increasingly conscious of the quality of the business they write," agreed David Baetz, editor and publisher of American Agent and Broker, a St. Louis-based trade magazine.

An increase in the complexity of insurance policies also contributes to the quality drive, said Eric Hall, director of industry affairs for the National Association of Professional Insurance Agents (PIA), a trade group based in Alexandria, Va. There have been lawsuits in which courts have interpreted policies differently from the way the insurance companies have, "and companies have ended up paying for claims they never intended to pay," said Hall. "As a result, the insurers have said, 'This evolution requires more of an agent than it has in the past.' "

Still another reason, according to Hall, is the agency termination legislation that various states enacted in 1986, making it more difficult for companies to drop agents. Although insurers opposed the laws because they wanted to cut losses in unprofitable areas, state legislatures felt that dropping agents was too disruptive to the customers, Hall said. "Now, companies have to be more sure that the agencies they use can give them the quality they are looking for."

Insurance companies say profits depend as much upon quality as quantity. Just as quality business means little without sufficient volume, "if you write a certain level of business but it's not quality, it doesn't benefit the agent or the company," said Charles Metz Jr., vice president of advertising and promotion for the Nationwide Mutual Insurance Company, Columbus, Ohio.

Commonly used quality measures include retention rate (also called persistency), or what percentage of customers renew their policies; a policy's profitability, determined by what percentage of the policy's value is made up of claims (the loss ratio), and new-business growth. Some multiple-line agencies also value cross-selling, which is the sale of different lines of insurance to the same customer.

Although insurance company executives will not

■ MOST COMMONLY USED QUALITY MEASURES

- Retention rate—amount of business renewed each year
- Profitability—determined by loss ratio, or the percentage of policy's value that is made up of claims
- Amount of new business
- Amount of business cross-sold

Aetna tracks the amount of business that is cross-sold and has seen steady sales increases each quarter.

disclose exactly how much weight they place on quality measures, they say these measures are important in determining incentive awards. In a 1987 study conducted by the Life Insurance Marketing and Research Association, Hartford, Conn., more than a third of 1,100 independent agents (representing more than one company) who cross-sell said the insurance companies they represent encourage cross-selling by offering bonuses and incentives. Sixty-five percent of 2,700 exclusive agents (representing only one company) who cross-sell said the tactic is encouraged by company incentives and bonuses. (See tables below.)

The Aetna Life and Casualty Company, Hartford, Conn., has emphasized cross-selling since 1983, according to administrator of corporate affairs Thomas Greaney. Cross-selling can increase an agent's retention rate, he said. "If a customer has more than one type of insurance with a company, he's more likely to stay with that company," Greaney said.

Aetna holds contests once or twice a year, giving awards to the agents who achieve the most cross-sales. Agents rack up points over several months and redeem them for merchandise. "We've seen steady sales increases each quarter," Greaney claimed. The company, which sells mostly through independent agents, also measures growth, profitability and retention to determine the amount of profit-sharing its agents receive.

Cross-selling awards also are offered by the Philadelphia-based Cigna Corporation, although these are not for its agents but for the company managers who set up the cross-selling programs, according to assistant vice president James Beattie. Cigna was formed when INA, which was primarily a property and casualty firm, merged with Connecticut General Life in 1982, making cross-selling a logical move, Beattie said. "It's like one-stop shopping," he said. "Cross-selling is not an entirely new concept, but it seems to be coming back with some strength."

The number of cross-sales is one of several quality measures used as part of a company-wide system that the United Services Automobile Association started in 1987. (See "USAA Property & Casualty: Family of Measures," May 1989.) The San Antonio-based company uses different measures—including timeliness (response time to customers) and number of error-free sales—for different departments, said quality management administrator Jerry Gass.

The measures were adopted in response to employees' suggestions, which were given at company meetings. "Our employees felt that other things were important, in addition to tracking sales," Gass said. "The system is an excellent tool that managers

MOTIVATION FOR CROSS-SELLING

These are the methods that various types of insurance agents said were being used by companies to encourage cross-selling.

INDEPENDENT AGENTS*

	Property/ Casualty[1]	Life[2]	Multiple-line[3]	Cross-selling[4]
Compensation plans	17%	38%	26%	33%
Bonuses/incentives	29	37	34	37
Recognition programs	14	33	19	27
Performance standards	17	27	17	17
Publications	11	22	12	10
Underwriting practices	35	26	30	27
Premium rates	23	29	28	13
Special marketing programs	21	22	21	27

*Agents representing several companies.

[1] Agents who receive 75 percent or more of their commissions from property/casualty insurance.

[2] Agents who receive 75 percent or more of their commissions from life insurance.

[3] Agents who sell both life and property/casualty, but not necessarily to the same customer.

[4] Agents who sell both life and property/casualty, primarily to the same customer.

Source: Life Insurance Marketing and Research Association.

EXCLUSIVE AGENTS*

	Property/ Casualty[1]	Life[2]	Multiple-line[3]	Cross-selling[4]
Compensation plans	47%	47%	47%	45%
Bonuses/incentives	67	44	64	65
Recognition programs	63	60	64	68
Performance standards	46	45	54	52
Publications	35	36	37	36
Underwriting practices	36	29	36	35
Premium rates	34	31	35	37
Special marketing programs	33	39	32	32

*Agents contracted to a single company.

[1] Agents who receive 75 percent or more of their commissions from property/casualty insurance.

[2] Agents who receive 75 percent or more of their commissions from life insurance.

[3] Agents who sell both life and property/casualty, but not necessarily to the same customer.

[4] Agents who sell both life and property/casualty, primarily to the same customer.

Source: Life Insurance Marketing and Research Association.

can use to coach employees and that employees can use to see where their strengths and weaknesses are."

Incentives include merchandise and monthly breakfasts for top performers. Gass said United Services is considering offering trips, as well. Since the company started using the system, sales in the new-member department have risen by 10 percent.

Retention, another quality measure, is important to insurers because, as Greaney pointed out, "there can be more money in retention than in new business." Fireman's Fund Insurance Companies, a Novato, Calif., firm that sells property and casualty insurance, uses retention, profitability and growth to measure its independent agents' output, but began placing greater value on retention about a year ago.

"The focus used to be more on loss ratio, but we realized that some of our best producers weren't being rewarded," said vice president of sales and marketing Michael Vallejos. "We think retention is a better signal of quality."

Because accident-related lawsuits often are not settled for several years, profitability figures take longer to calculate, he noted, while retention rates can be measured immediately. Another reason that renewing business is beneficial to the independent agent is that it is more complicated to move an account from one carrier to another than to renew with the same carrier.

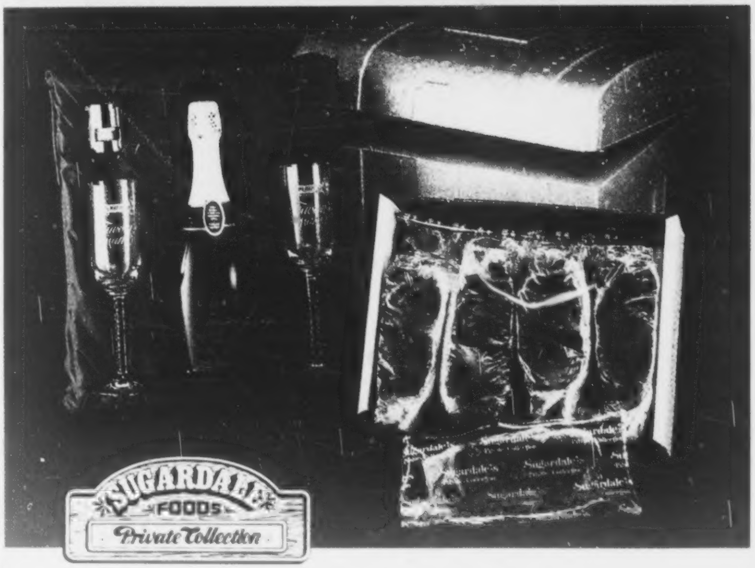
Under the new requirements, Fireman's Fund agents must maintain a retention ratio of at least 50 percent to qualify for a bonus; the better the ratio, the higher the agent's bonus. It probably will take two or three years before the company will be able to gauge the effect of the change, Vallejos said, but "most of our agents seem to be happy with it."

At the Allstate Insurance Company, Northbrook, Ill., the agents — who are company employees — are not eligible for an annual bonus unless at least 80 percent of their customers renew their life-insurance policies, according to assistant vice president of sales Dwight Hammack. The amount of the bonus is based on sales, but "if agents don't maintain the 80 percent rate, they don't get it," Hammack said. "We want our clients to see a need to renew their current insurance policies."

Quality measures are used to determine Allstate's incentive awards, as well. Salespeople receive points for new business, profitability and retention, in addition to sales volume, said assistant vice president of field support Jeffrey Kaufman.

The top 35 percent of agents earn a gold ring, and the top 10 to 12 percent attend the four-day National Champions Conference, held in a different U.S. city each year. About five years ago, the company added an even higher level for the top 1 to 3 percent, who travel to an overseas city for the five-day Chairman's Conference. Both conferences combine business meetings with social events and recognition ceremonies,

THE PERFECT COMBINATION



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where honorees receive plaques and trophies. The company pays for the employee's spouse to attend.

In addition to the annual awards program, Allstate runs short-term campaigns, usually lasting from six to eight weeks and offering incentives ranging from merchandise to weekend trips within the United States. Currently, the company is running an auto insurance campaign, in which the top 30 percent of agents win a certificate good for several nights at one of 14 hotels and resorts around the country. This is the first time a short-term campaign has had a prize that one-third of the employees can win: "We wanted to get more people involved and experiment with moving the masses," Kaufman said.

Nationwide Mutual places quality before quantity in its measurement system. "Our agents must have a quality portfolio *first*, and then they must write a certain level of production," said Metz.

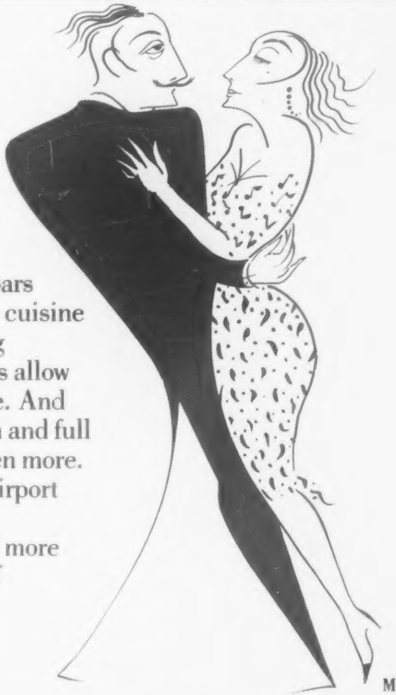
Retention and profitability in life insurance, and profitability in property and casualty insurance, help determine which of the firm's exclusive agents qualify for the company's three awards levels: the Pacesetter Award, for new agents still in training; the Champion Award, for the top 20 to 25 percent of agents, and the President's Conference Award, for the top 2.5 percent. Pacesetter and Champion awards consist of merchandise ranging from $100 to $250 in value. The winners of the top award attend the President's Conference, a motivational, educational and social gathering. This year's conference took place in Hawaii. In addition to these awards, Nationwide pays its agents bonuses for attaining certain levels of retention and keeping loss ratios low, Metz said.

Allstate's employee agents must retain at least 80 percent of their business to qualify for an annual bonus.

Companies judge the success of the quality-oriented programs in two ways: agent feedback and customer survey results. Many insurance providers run focus groups of agents or employees, asking for their ideas and opinions on management policies.

Allstate's focus groups spurred the company to add the Chairman's Conference to its awards schedule, according to Kaufman. "With 16,000 people out there producing, we have to know what they think," he noted. At another firm, every agent comes to the home office for three days of meetings each year. "We talk about what we're doing and get their input," said an official.

Some companies survey customers to find out whether they are satisfied with their agents and policies. In most cases, results are not tied directly to measuring agents' performance. But USAA is an exception: "In addition to internal feedback, we think it's important to use external feedback," Gass said. ☐



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FACTS SURVEY

Business Gifts

Good will mixes with sales-oriented objectives in gift giving, which is increasing modestly among the executives just surveyed.

Although good will remains a factor, marketers who use business gifts frequently have a motive other than benevolence for their largess. More and more respondents to **Incentive** surveys relate their giving not only to general customer appreciation, but also to sales-oriented objectives.

Christmas is still the top occasion for giving business gifts—although by a diminishing margin. While more than 70 percent give gifts at Christmas, a record 42 percent also use them for sales calls, plant visits, company meetings, trade shows and conventions.

Gift giving is increasing modestly among the executives just surveyed, who anticipate spending 4.7 percent more in 1989 than the previous year—slightly ahead of the 4.3 percent increase for 1988. Estimated business gift spending by all U.S. companies last year was about $1.55 billion.

Most executives are not spending much more for their individual gifts than in the past few years. In 1985, the median unit gift cost was $18; it rose to $20 in 1987 and has stayed there for three years. But there has been a substantial advance in the upper-level prices paid for some gifts. The average has reflected the higher top limits, rising from $39 in 1985 through $75 last year to the present $88.

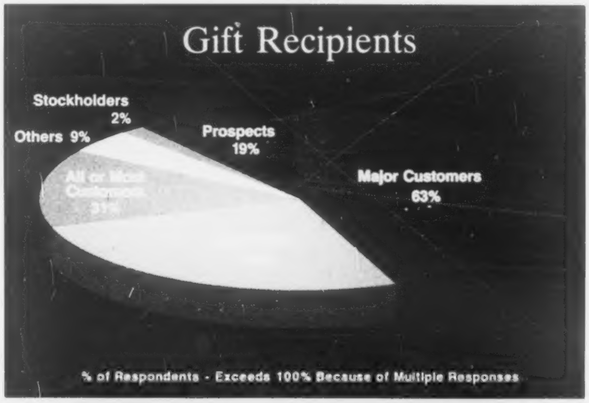
Gifts in the upper brackets cost even more, when one considers the loss of tax deductibility. According to the 1962 gift tax law, an item over $25 is not a deductible expense. Every gift above that level carries an extra tax burden. And a gift costing $25 in 1962, allowing for inflation, cost almost $98 by Christmas 1988.

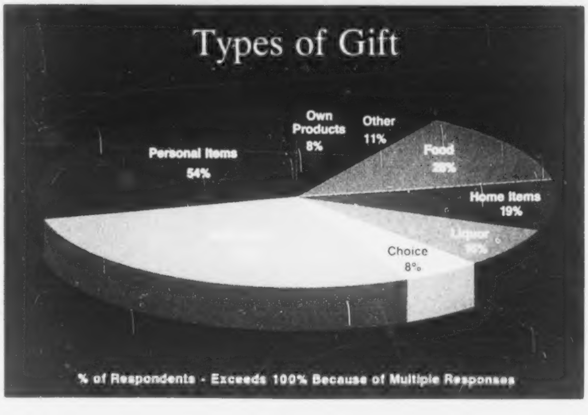
But these considerations do not deter givers significantly. In the latest survey, 26 percent say their most recent gifts cost more than previous ones, and 27 percent plan to spend more per gift next time. Only 4 percent are budgeting for lower individual costs.

More gifts are being used this year, report the 339 companies surveyed. While the average number of recipients dropped to 393 from 480 a year ago, the median jumped to 125 after several years at 100.

As gift lists have grown over the years, users have standardized their selections to avoid the time-consuming task of picking an individual item for each recipient. Some do imprint the beneficiary's name on the gift to personalize it—a practice favored by 27 percent. And some users—about 8 percent in this year's survey—avoid the selection process entirely, presenting a catalogue of items.

Among the holdouts for individual selection is Geary Potter, vice president of Potter & Associates, a Greensboro, N.C., advertising agency. "It's purely a pleasure," he says, "to choose a gift for someone based on [their] likes." He gives out about 40 business gifts a year,





Major customers receive most business gifts, which consist primarily of personal and desk items.

TOP CHOICES IN SURVEY

Percentage of respondents selecting each item

Food gifts	29%	Attaches/portfolios	4%
Pens/pencils	19%	Knives	4%
Clocks/watches	17%	Gift choices/certificates	4%
Apparel/caps	17%	Electric appliances	4%
Calendars/diaries/desk planners	17%	Notepads	4%
Wines/liquor	9%	Desk sets	3%
Electronic items	9%	Jewelry	3%
Coffee mugs	7%	Tools	3%
Glassware/crystal	6%	Flashlights	3%
Books	5%	Golf items	3%
Trips	5%	Rulers	2%
Calculators	4%	Luggage	2%
		Sporting goods	2%

including gourmet food baskets, wine, crystal paperweights and personal or desk items.

Kenton Custom Molding, Kenton, Tenn., tailors gifts for about 125 people each year: "small, unusual gifts to exhibit friendliness and reaffirm our thanks for the continued business relationship," says sales coordinator Judi Martin. An example might be "three cases of fresh strawberries to a customer whose wife likes to make jams. We try to personalize our gifts...and do give gifts at unusual times of the year—very little Christmas giving."

The practice of imprinting the giver's name or logo has increased, and is used by 63 percent of this year's respondents. Imprinting is the usual practice at Bailey Controls, Wickliffe, Ohio. It is "good public relations....Everyone likes to receive something as a token of appreciation or remembrance," says premium coordinator Marilyn Dietz. "A coffee mug, a pen or desk folder will remind a potential customer of his visit and keep the company name visible." She uses a large variety of gifts, including desk items, jackets, caps, T-shirts and golf shirts.

A Midwestern freight company imprints hundreds of desk and personal items "to keep our name in front of the traffic manager—the more functional the item, the better for exposure to the decision-maker."

A Southeastern electronics executive uses 1,500 desk items costing $5 or more "to keep our company name in front of the customer/potential customer. If a potential customer readily has a name and telephone number in front of him, he is more likely to contact you when he has a requirement." Many of the company's gifts are handed out to visitors at conventions.

James R. Barth, general sales manager of Lamination Specialties, a Chicago metal stamper, can argue both sides of the imprinted message

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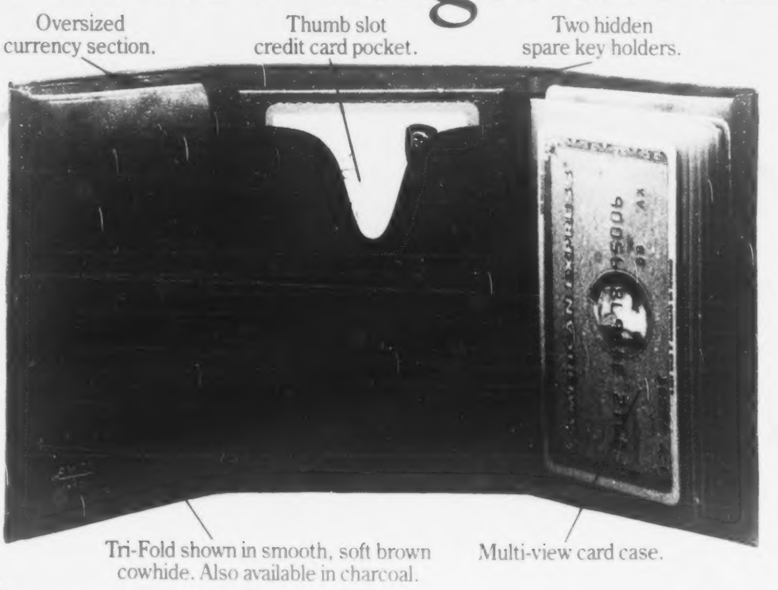

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While the personal touch has faded in recent years, the practice of imprinting a giver's name or logo has increased, used by 63 percent of this year's respondents.

question: "Imprinted with our company name, gifts are a constant reminder to the customer or potential customer," he says, but adds: "Tasteful gifts given at the holiday season, although not imprinted with our company name, serve the same purpose, and also say 'thanks for your business.' "

Who does the buying?

Top management	71%
Sales/marketing management	19%
Advertising/promotion management	6%
Product/merchandising management	4%

When are gifts bought?

January	7%
February	8%
March	10%
April	7%
May	5%
June	13%
July	9%
August	15%
September	33%
October	41%
November	26%
December	25%

Sources of gifts

Direct from manufacturer	46%
Wholesaler or distributor	30%
Incentive representative	26%
Advertising specialty counselor	25%
Mail-order firm	18%
Retail store	16%
Incentive firm, jobber, stamp company	10%

How are gifts delivered?

Salesperson	54%
Parcel delivery service	32%
Executive	31%
Mail	22%
Messenger	7%

Where are gifts given?

Recipient's place of business	71%
Recipient's home	28%
Donor's place of business	20%

Even at the holiday time, there can be a clear business objective. A travel agent notes that a gift expressing appreciation for business "enables the sales staff to make a visit during the holiday season to the client's office." A gift bridges a gap for a mail-order seller, who sees it as a way "to say thank you and enhance friendship with people I can't see frequently."

Many gifts are given in specific sales-related contexts. After all, 54 percent of the executives report that their gifts are presented by salespeople. And in the 31 percent of cases where the executive bestows the gift, most are sales-related occasions.

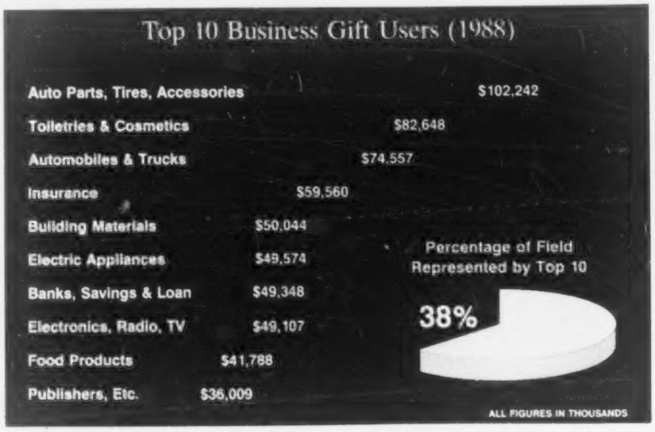
Often the gift is seen as a door-opener for a salesperson. "The reason I give gifts," says Raymond H. Fairbank of the auto parts manufacturer Frank Foundries Corporation, Moline, Ill., "is to show appreciation for their business and to help break the ice with receptionists."

A food manufacturer uses gifts "to build personal rapport between our sales reps and customer/dealers," using desk items, calendars and the firm's own products.

Tascon Inc., a Houston building materials wholesaler, combines the potential selling advantage of a gift with the ultimate in personalized occasions: a birthday. "We give Christmas and birthday gifts," says T. Aquilina, vice president for sales and marketing. "By far the most important [are] birthday [items]. It lets the customer know that we take a personal interest in him, and hopefully it conveys that we also take a personal interest in his business." The recipient feels singled out by the present, which might not happen when competing with "other gifts at Christmas when he is likely to compare."

When doing business with foreign companies, gifts often are required as part of the sales transaction ritual. J. F. Dawson, vice president of the Kendall Company, Lexington, Mass., a medical products maker, says, "In the case of foreign dignitaries, it is both customary as well as expected that our U.S. managers exchange gifts when visiting abroad, especially in Latin America."

In this country, such practices could lead to ethical dilemmas. Often, even executives who give out business gifts tell us that their own



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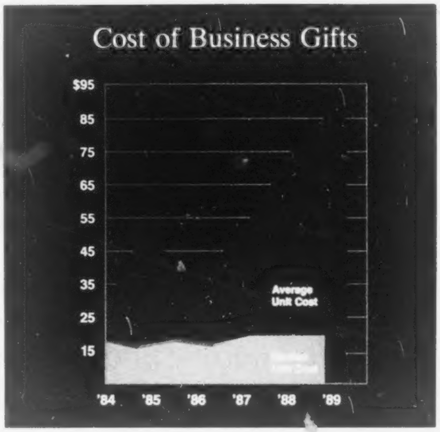
As gift lists have grown over the years, users have standardized their selections to avoid the time-consuming task of picking an individual item for each recipient.



companies oppose the acceptance of such items.

This partly explains the small number of business gifts that the survey respondents say they receive: an average of only nine per year and a median of just five.

About two-thirds of the executives say they find anti-gift policies or restrictions among, on average, 27 percent of the firms they do business with. And 38 percent believe this kind of limitation has increased during the past two years.

A Midwestern building materials manufacturer encounters a no-gift policy in about 25 percent of cases, but does not consider this a problem. His gifts are given "just as a friendly thank-you....Our cheese and sausage package is filled with quality products that we pack in an attractive box. The value is not great, and to my knowledge, we have offended no one nor have we had any returned because of policy."

The survey questionnaire asked, "Do you believe your gifts to business friends have ever improperly influenced a customer's buying decisions?" Only about 12 percent of the respondents answered yes—although it should be noted that, until a year ago, affirmative answers to this question never ran higher than about 7 percent.

Many respondents are highly sensitive to propriety. "When we present a business gift," says Gary Zorn, marketing vice president for Admiral Envelope & Printing, Baltimore, "it is given as a goodwill gesture. We do not try to influence a business contact with gifts. The items are always a reusable commodity (ruler, coffee cup, etc.) and are printed with our logo and business information, so that they act as a constant reminder of our firm."

A companion question asked, "Do you believe gifts you received have ever been intended to influence you improperly?"

About 16 percent of the respondents were willing to question the motives of the givers. One, a Western manufacturer's representative, admitted, "I may have made a buying decision—when other things were nearly equal."

The great majority of givers, however, testify to honorable motives on both sides of the transaction. Says R. F. Bauer, vice president of the consultant Ludlow Engineering Company, Norwalk, Conn.: "Our customers become good friends. We give presents to all of our friends!" ☐

AUGUST 198

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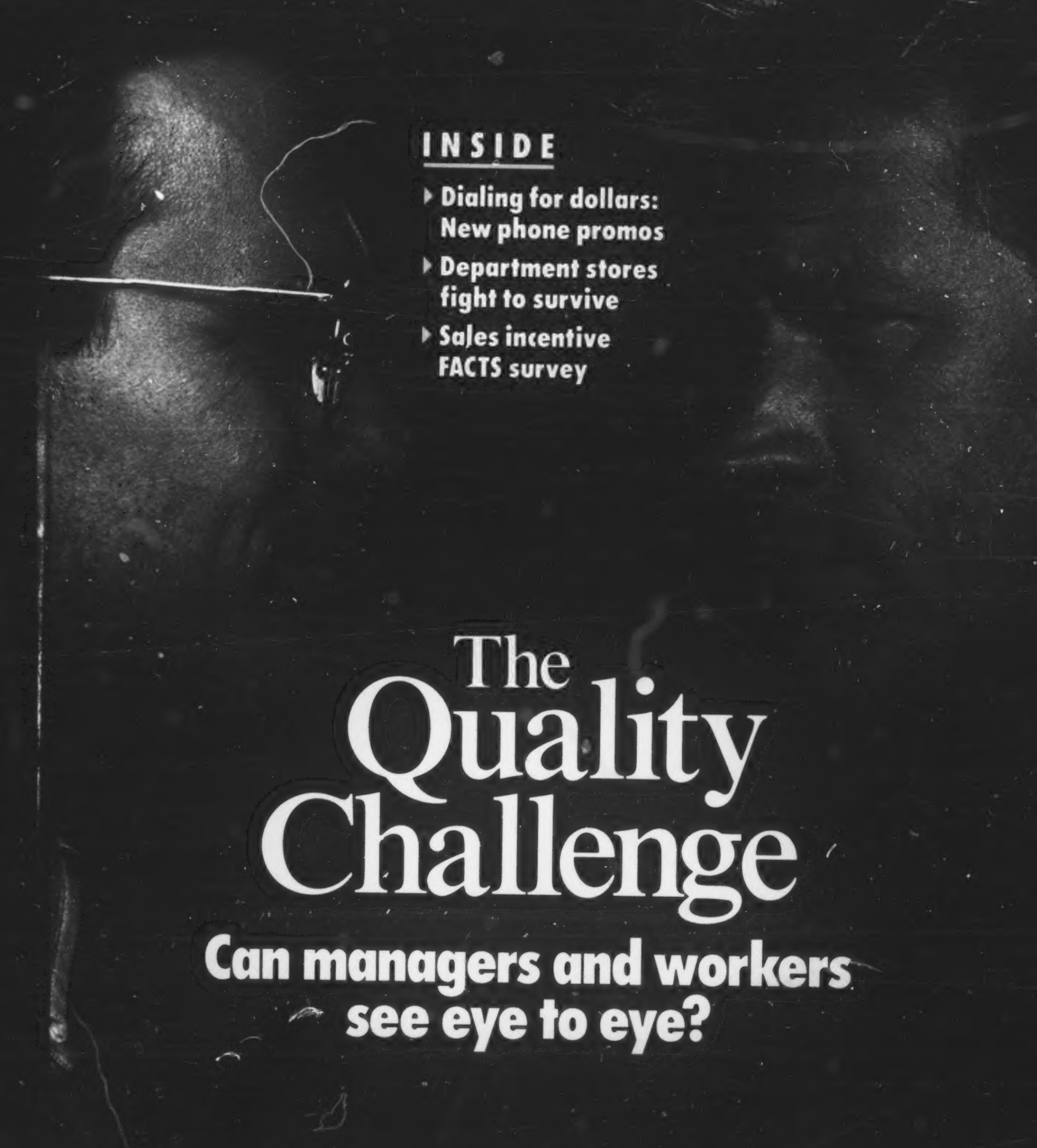
INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



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- Department stores fight to survive
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The Quality Challenge

Can managers and workers see eye to eye?

A BILL PUBLICATION

AUGUST 1989

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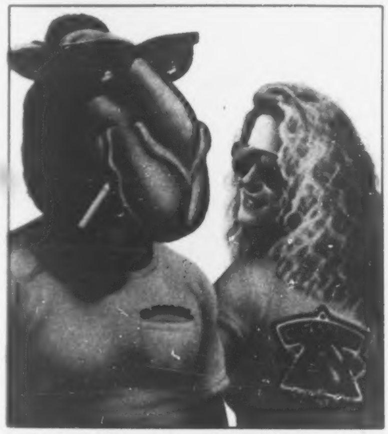

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Merchandise and travel expenditures are up 6 percent and yielding better results than cash awards, users say.

FACTS SURVEY

Sales Incentives

The incentive program objective that probably embraces the greatest flexibility has grown in favor by one-third, according to this year's **Incentive** survey.

Some of the most effective—and profitable—sales incentive efforts aim at adjusting a product mix by either balancing sales of a line or shifting emphasis to more profitable items. "Move full line or slow items" is the questionnaire shorthand for it, and 32 percent of surveyed executives listed it, up from 24 percent a year ago.

Meanwhile, the catchall objective of increasing overall sales—always the leader—gained two points to reach 63 percent. The next three choices—selling new accounts, introducing new products, improving morale and goodwill—dropped a few percentage points in the ratings.

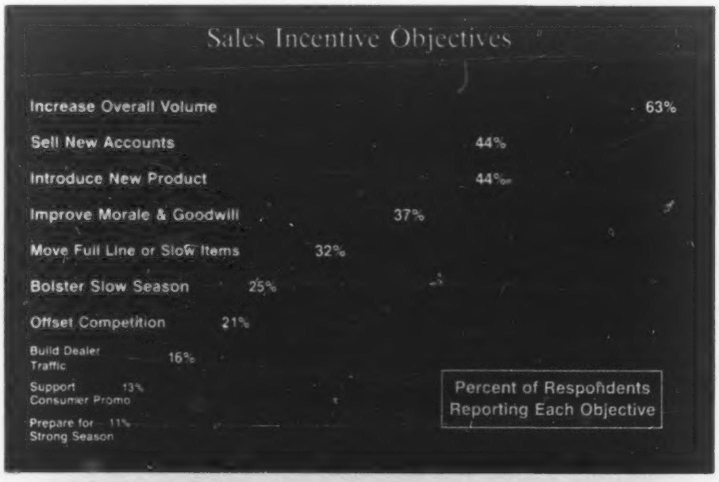
Whatever their goals, marketers in this year's survey project an increase of 6 percent in sales incentive expenditures over their 1988 spending levels. The increase is skewed somewhat in favor of programs that award merchandise—with budgets up 7.8 percent. Promoters plan to spend 4.9 percent more for travel programs.

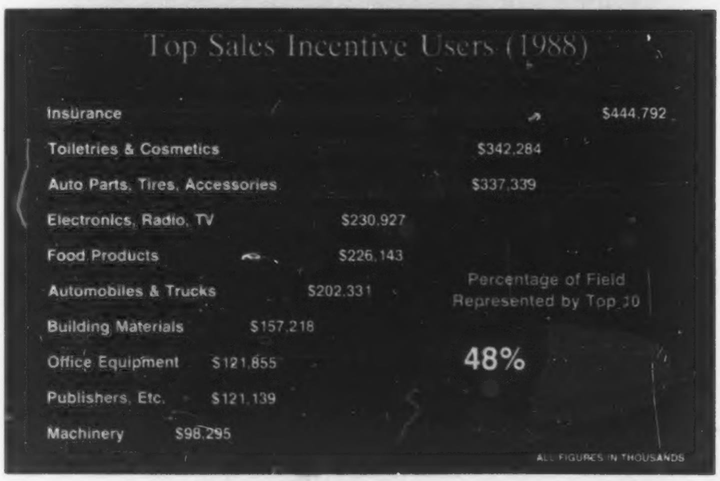
Last year's final estimates showed a similar bias. Merchandise usage was set at about $3.5 billion, an increase of 7.7 percent; travel rose by 3.8 percent to reach $1.3 billion. Growth of 6 percent in 1989 would put the total of all sales incentive spending above $5 billion for the first time. This includes merchandise and travel expenditures only—and excludes cash incentives commonly used by some companies.

Some studies have suggested that approximately one-third of sales executives use cash incentives. **Incentive** readers, who are users of noncash awards, do use some cash incentives too. These executives were asked: "In otherwise identical campaigns (and assuming the sales force is adequately compensated), which type of award do you find yields the best results?" Forty percent of the respondents chose travel, 39 percent selected merchandise, and 21 percent selected cash. All who voted for cash showed usage of merchandise and/or travel as well.

The 200 executives in the present survey experienced some slippage in results, compared with last year's picture, but total effectiveness remains positive. On the average, they achieved sales gains of 18.7 percent in recent campaigns, as against the 19.7 average a year ago. The median remains at 15 percent.

The rate of sales-force qualification has declined a bit —to 37 percent from 42 percent in 1988. Merchandise-





Some of the most effective sales incentive efforts aim at adjusting a product mix by balancing sales of a line or by shifting emphasis to more profitable items.

based programs are bringing 46 percent average qualification, down from 50 percent, and 27 percent are now earning travel awards, compared with 33 percent last year.

The good-news side of the results picture is that the cost in relation to incremental sales has declined—now averaging 13 percent, a two-point drop from the 1988 survey. The median, however, remains at 10 percent.

Many of these promotions are directed toward selling a selected group of the company's products—in 48 percent of cases. But another 40 percent broaden the campaign to embrace the full line of products. Only a small minority—12 percent—focus tightly on single products in their incentive programs.

The salespeople earning awards are of several types. Company-employed salespeople are targeted by 67 percent of these marketers—down from 78 percent last year. About 32 percent offer incentives to manufacturers' representatives and agents; 26 percent to wholesaler or jobber salespeople; 25 percent to retailer sales personnel, and 2 percent to direct sellers.

A factor in the lowered average sales growth is probably the reduced percentage of qualifiers. But this is partly offset by the fact that salespeople had to produce a little more volume to qualify. In the 1988 survey, the minimum award level was 87 percent of quota, and the maximum qualification came at 105 percent. This year, the surveyed executives say the average qualification points are 93 percent and 117 percent of quota.

Raising qualification rates may reflect increases in the unit cost of awards. The trend in such costs is mixed in this survey, with merchandise slightly lower than last year and travel somewhat higher. The average merchandise award is actually up considerably to $369 from $260 a year ago, but a few very large entries can distort the average. The more significant median has dropped from last year's $118 back to $100, where it had been the previous two years. The travel numbers are consistently up: The average trip cost per winner is now $2,458, up from $2,382, and the median is $2,000, up from $1,775.

Most firms conduct one or two incentive campaigns a year. The median is two among those who have merchandise-only programs or offer combinations of merchandise and travel. The travel-only users indicate a median of one campaign each year.

Travel promotions are usually much longer than the typical merchandise incentive offering. The average in this survey is 29 weeks, while a merchandise program runs an average of 15 weeks. Those with longer campaigns who use short-term sprints to keep up enthusiasm report an average of five weeks' duration for them.

But the promotion really starts much sooner, with the planning process taking nearly the same time as the actual campaign. Executives in this survey say they spend an average of 15 weeks—two weeks longer than reported last year—to get ready for a merchandise program. Planning time for travel incentives has also increased—to 27 weeks compared with 25 last year.

Planning time is goal-setting time, award-selection time, purchasing time, rules-writing time and the time to produce the considerable volumes of paper and ink that accompany a major campaign. The promotional materials supporting the effort—mailings and other printed matter, ad specialties or gifts—and any meetings or training associated with the introduction account for an average of 18 percent of the total program budget among this year's survey respondents.

Adding those promotional expenditures to the cost of the merchandise and travel awards brings the total es-

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timated cost of sales incentives in the United States to more than $6 billion a year. No effort is made to estimate the dollars given in cash programs, because they often blur into the area of bonus compensation.

Cash is the stated preference of many salespeople. "Extra money is the incentive most asked for by the sales force," said Sidney Bernstein, vice president of Jak Pak Inc., a Milwaukee toy manufacturer. "But merchandise that appears to have a higher value than the challenge to acquire it has great appeal....Offerings shown to the spouse often spur the employee to treat the spouse."

At the Omaha-based Bekins Van & Storage Company, sales and marketing manager John Bekins says, "Our salespeople are very cash-conscious. They would rather have cash and decide on their own what they would like to do with it." However, the company uses both merchandise and travel in several campaigns a year.

Says Cristina Banac, sales marketing manager of the Modern Guides Company, a San Juan publisher: "We found that most employees/salespersons will have greater flexibility with cash awards, as it becomes more difficult nowadays to find products to suit the needs of the majority and something they don't already have."

A computer manufacturer who has a substantial incentive program using travel, cash and merchandise, says: "I dislike merchandise as a motivational award. I think that too much of the budget is wasted on the middlemen who provide modest prizes at exorbitant cost. I think the best value for a budget dollar is the dollar itself."

John Kowieski, director of marketing at Professional Tape, Burr Ridge, Ill., has good results in several yearly promotions offering merchandise and travel awards to the company's sales force. But, he says, "We are constantly badgered by our sales reps who say they want dollar pay-outs instead of merchandise or travel. Many just don't care about merchandise any more—they want cash!" Nevertheless, he reports a 60 percent qualification rate in his merchandise campaigns.

Many executives who believe strongly in noncash awards cite the fact that most salespeople, if they want more money alone, can earn it through increased commissions or bonuses—and will still earn more money while qualifying for the merchandise or travel incentive. A Southern insurance executive using relatively low-cost merchandise items documents this: "Our 1988 spring campaign was the most successful in company history. The main reason was a red satin baseball jacket with the company logo. People like to identify with groups, and the jacket was a means to that end. The result was over 4,000 jackets shipped to a 4,500-person sales force. Cash would not achieve these results because the sales rep would naturally increase sales on his own without benefit of the campaign if he wants more money."

▶ Types of award

Single premium or group of related items	48%
Individual travel award	37%
Merchandise selection from incentive house	35%
Group travel award	30%
Own catalogue	20%

▶ Merchandise suppliers

Wholesaler or premium jobber	49%
Direct from manufacturer	40%
Full-service incentive house	29%
Manufacturers' representative	25%

▶ Travel suppliers

Make own arrangements	51%
Full-service incentive house	28%
Travel carrier or hotel	21%
Travel/tour wholesaler	20%

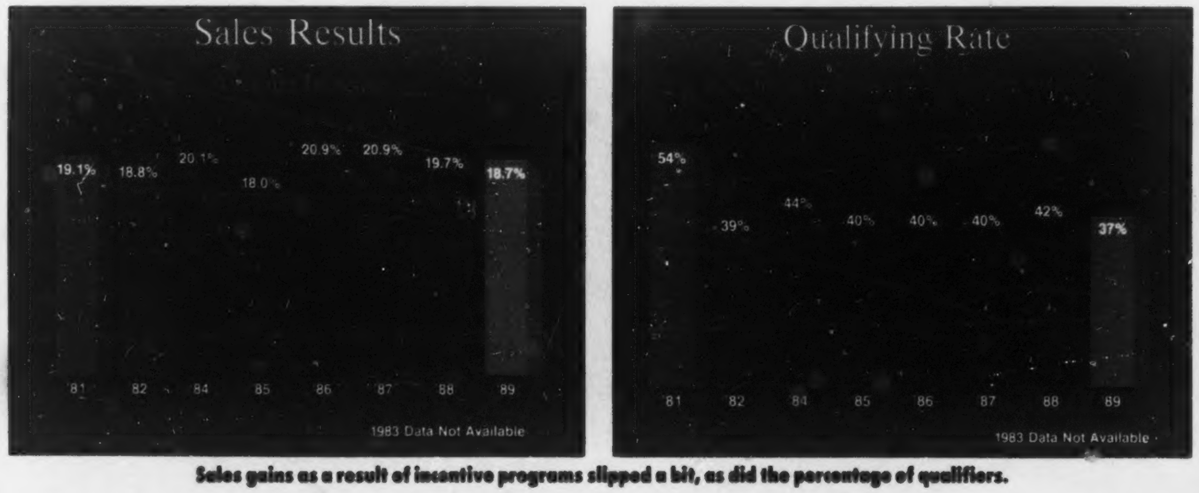
▶ Final buying decision

President, CEO, executive vice president, general manager	64%
Director of sales or marketing	30%
Director of advertising or sales promotion	5%
Product manager or merchandising manager	2%

An Eastern manufacturer offers his company sales force an option in several incentive programs each year. "Some winners convert to cash," he said, "but most choose the award from a fixed-value brochure." About 60 percent qualify.

Several users said they prefer merchandise or travel awards because cash goes into the salesperson's pocket and gets lost. Merchandise or travel "has longer memory than cash," said a Southwestern machinery manufacturer.

Dean Mellgren of Rimco Indus-



Sales gains as a result of incentive programs slipped a bit, as did the percentage of qualifiers.

tries, Waite Park, Minn., says, "Our geographical area tends to represent persons who are material-oriented. ...By offering merchandise, they are able to acquire *toys* they would not otherwise feel comfortable purchasing."

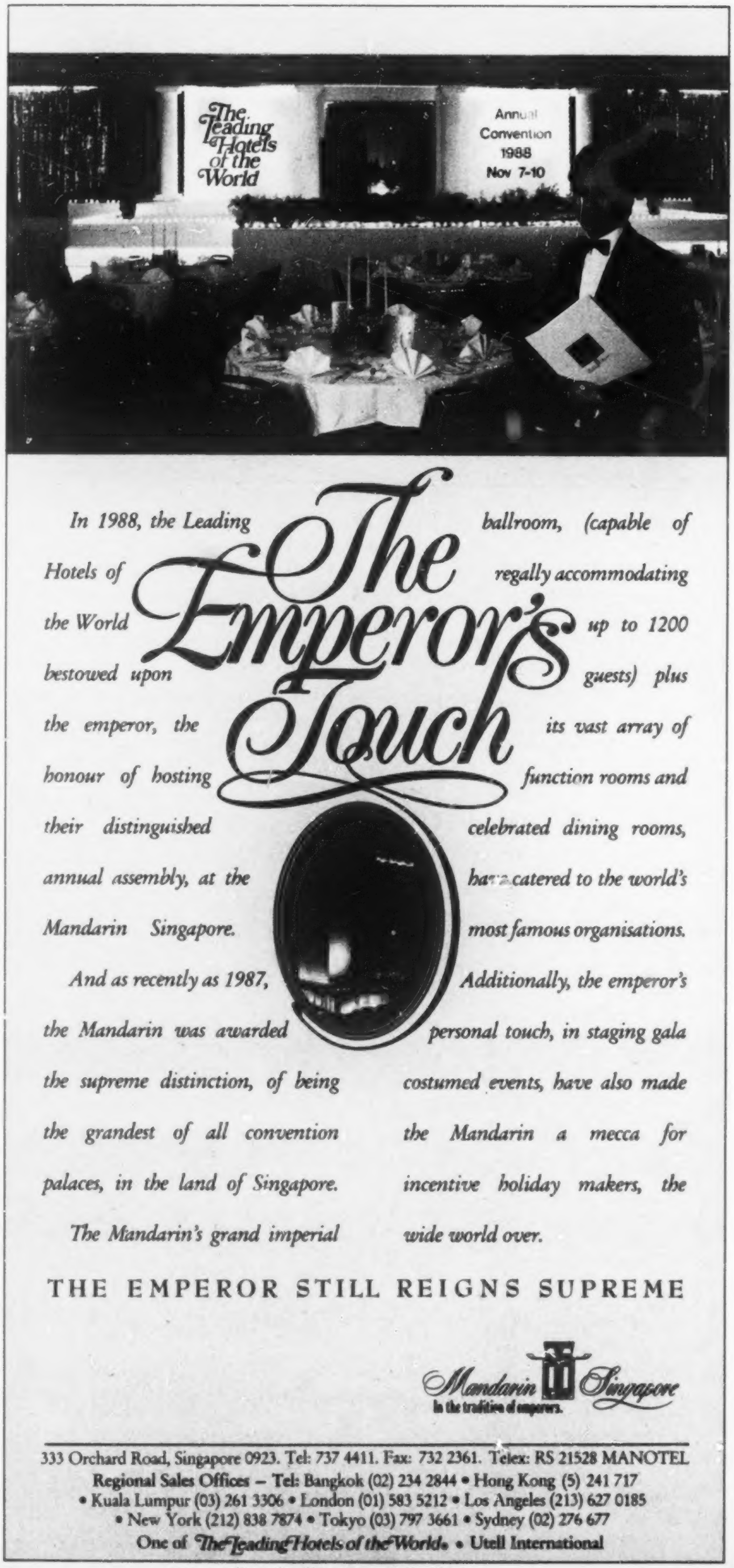
A distributor of beauty supplies also votes for merchandise. "Cash has been tried," the president says, "and loses a sense of earning something....Fewer men try hard—perhaps they earn too much money—and dealers try to steal cash awards from their men, by not telling them or not keeping records."

A Midwestern insurance executive selling through agents also sees problems in getting some awards through the channels: "All travel and cash go to the principal of the agency. It does not motivate. Merchandise goes to the individuals who sell the product."

A choice between merchandise and travel is the decision facing a maker of agricultural chemicals, who has a strong program using both and achieving nearly 100 percent participation. "Overall, merchandise was superior to the individual travel award we offered in 1988," he says. "This year, we offer an option to convert any part or all of the awards to either merchandise or travel once we achieve the 107-percent-of-plan level. We should know which one of the awards provides the most redemption incentive."

Arithmetic is a prime consideration for Richard A. Leon, vice president of marketing for Jet Cargo International in Miami. He finds that "if you use cash, the company spends $100 and the employee gets $100. If you use travel, the company spends $100 and he gets money and enjoyment—but he also stops producing sales while on the trip. If you use merchandise, the company spends $100, and he gets $200 worth and continues producing sales. Incentives can be used more often without decreasing productivity and maximizing value received for the money spent."

Economy of operation is a factor for an Eastern food broker, who achieves 70 percent qualification among the company sales force and jobber salespeople: "Well-thought-out programs using brandname merchandise elicit



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On average, survey respondents achieved sales gains of 18.7 percent in recent campaigns, as against 19.7 percent a year ago. The median remains at 15 percent.

great suspense and enthusiasm but require little promotion dollars." The firm reports spending 5 percent of its total incentive budget for promotion, compared with the survey average of 18 percent.

Travel users can be strongly committed to their awards, especially when group trips mix dealers with salespeople, gaining an extra measure of rapport not achieved with other incentives. "Group travel forms a bond among customers and our company's staff," says Joseph T. Kearse, vice president of Kohl Building Products, Sinking Spring, Pa. "Each new promotion strengthens my belief that customers from one trading area meet and bond with customers from other areas. It is not unusual for these bonded groups to have contact during promotions, comparing current status and encouraging each other to increase purchases so we can get together again."

Says a Midwestern sales agency executive: "Travel is more visible to a salesman's peers. It satisfies personal ego to be able to say that he won a trip by being the best in his company at what he does. Trips are perceived to be expensive!"

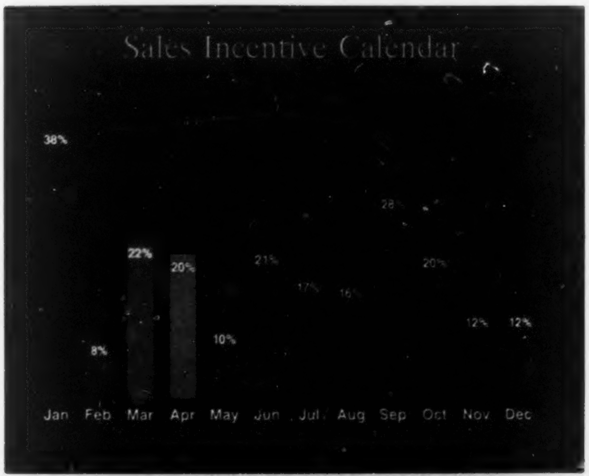
Jayco Inc., a Middlebury, Ind., recreation-vehicle maker, conducts two travel programs a year for its sales force, and 100 percent usually qualify for the group trips, which also include dealers. Says company president Allen Yoder Jr.: "Many of our dealers and salespeople have all the merchandise they can use. However, they have not been to all four corners of the world—yet!"

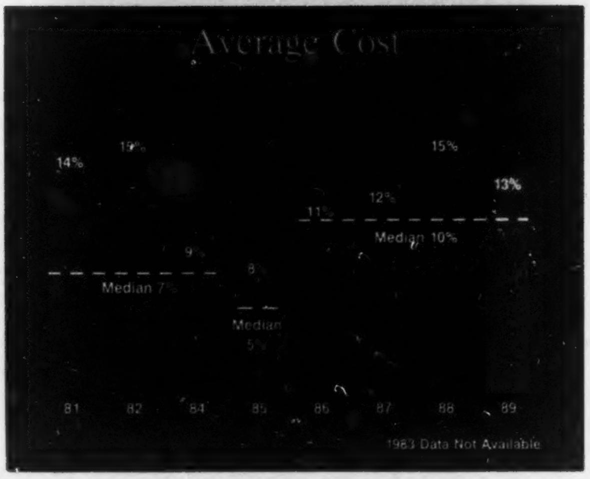
The allure of travel is important to John Franz, president of Brasseler USA Inc., a Savannah, Ga., retailer. He says: "Travel to exotic and/or foreign destinations is the single most sought-after prize by my sales force of 60....It gives them an *escape* from their normally hectic schedule and seems to make them feel that the effort they spent to get there was all worthwhile."

Apart from the considerations of appeal and cost, travel programs tend to be most appropriate for broad objectives such as a total increase in sales over a period of many months. Because the average campaign is twice the length of a merchandise promotion, targeting narrow objectives often may be impractical. And the cost of the travel program frequently demands the long time span to permit salespeople to accumulate the credits needed.

Whatever the specific objectives or the length of the program, each user evaluates the effort in his own way. But the criterion used by 67 percent of these companies is the simple counting of total product units or dollars sold.

Some measure different factors, and most apply more than one standard. Forty-five percent choose the percentage reaching goal or quota, which puts the bulk volume in somewhat different terms. That volume is translated into more basic, bottom-line types of criteria by others: 25 percent look at increased market share, and 22 percent tally up the profits on the incremental sales. A minority of 13 percent, whose sales structures suggest it, evaluate on the basis of branch or district performance rather than individual achievement. ☐





Above: The percentage of respondents who launch campaigns in January fell to 38 percent from 45 percent last year, while March, June, November and December are up. At right: While the average cost as a percentage of incremental sales has dropped, the median remains the same.

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TravelFACTS Survey

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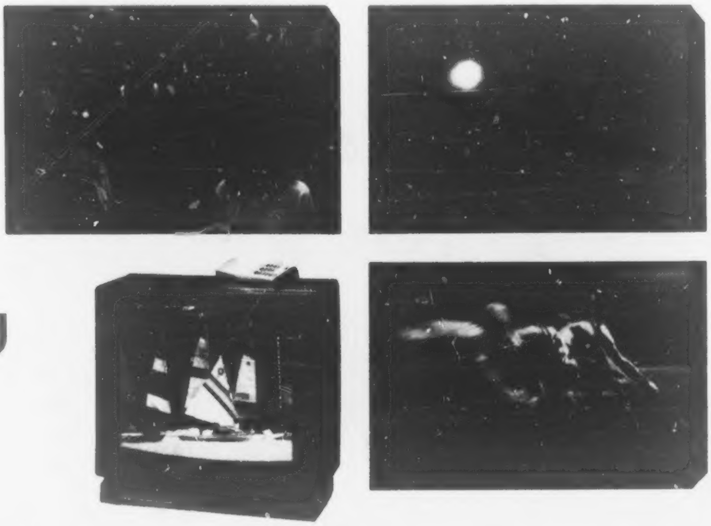

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ready
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the 90's?

WHAT'S hot

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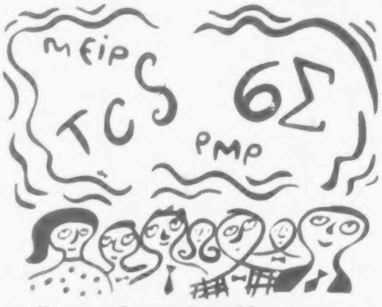

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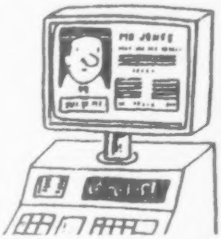

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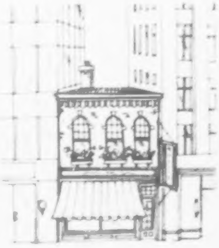

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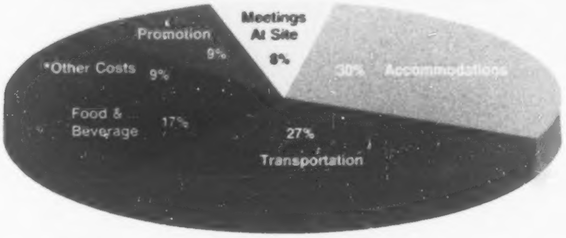


*Includes Ground Transportation, Side Trips, Insurance, Entertainment, Etc

A minor boom in incentive travel is under way this year, at least in the plans of 204 companies that responded to a recent survey by **Incentive**. They are predicting an increase of 11.5 percent in their spending for sales and dealer travel campaigns in 1989. If that pace extends to all travel users, this year would show the biggest expansion since the post-recession upswing of 1984, which boosted travel spending 17.5 percent over the previous year.

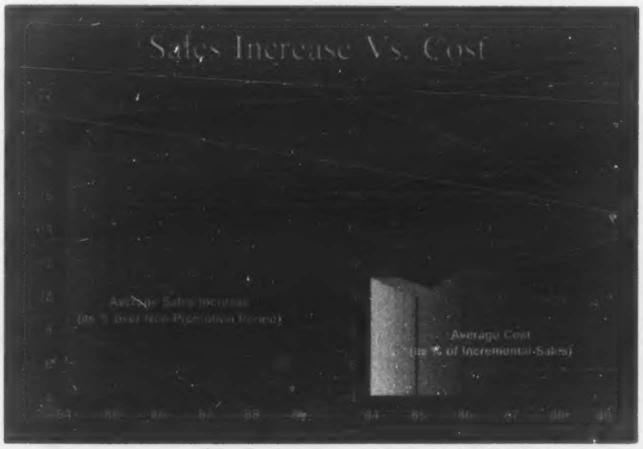
Such bullish forecasts are not surprising—and the final reports may slip to lower levels. What is surprising, however, is that this prognosis comes at the same time the users report a decline in sales results for the second year. In 1987, survey respondents told **Incentive** that they were achieving an average sales growth of 20.8 percent during their travel programs; last year, the comparable figure was 18.4 percent. The current survey group reports an average of only 16 percent yield.

Participation by eligible salespeople, dealers and wholesalers also is off somewhat, from 37 percent a year ago to 34 percent now—a fact that would be expected to cut the overall sales results.

There is less comfort for the travel aficionado in comparing these sales results with those found in an earlier survey on sales incentives (August issue). Sales results there—for both merchandise and travel programs—were 18.7 percent. That is considerably higher than in this travel survey, in which 89 percent of the users show expenditures for sales incentive programs and only 36 percent for dealers. The suggestion may be that merchandise programs are pulling considerably better than travel this year, at least among salespeople.

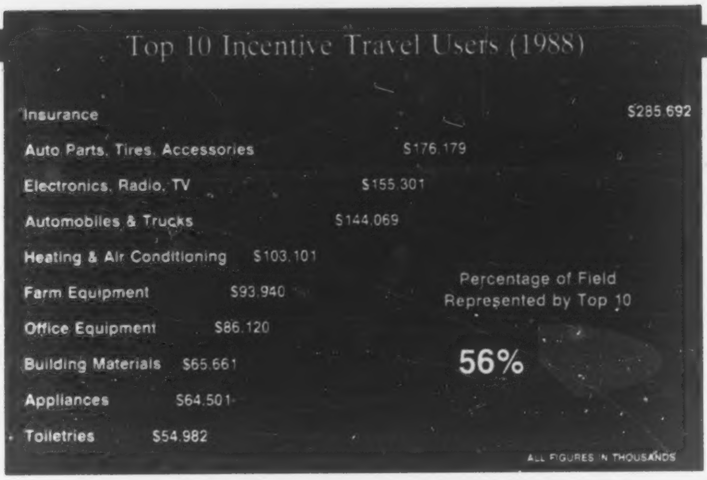
Incentive's dealer promotion survey (April issue) showed no such disparity in results—a 16.6 percent sales gain compared with the 16 percent in the travel study. Dealer incentive programs of all types have tended to produce somewhat smaller gains than sales incentives for a number of years.

There is some good news on program costs in this year's survey. Costs had dropped a little last year after two years of very large increases, and they have been contained well this year too. The average per-person trip price rose slightly to $1,650 from $1,611 in 1988. The median per-person trip price has increased more noticeably to $1,500 from $1,300 a year ago.



Nevertheless, the overall program cost as a percentage of incremental sales has improved. The average cost is up a statistically insignificant amount—to 10.6 percent from 10.4 percent. But the median—a better expression of typical cost—is now only 7 percent of the sales gained, compared with last year's 8 percent. A drop of a percentage point there makes a meaningful dent in the cost of conducting a typical travel campaign.

Last year, marketers spent an estimated $2.19 billion on incentive travel, with 58 percent of that for sales-force motivation and the rest aimed at retailers, distributors and



Companies predict an increase of 11.5 percent in their spending for sales and dealer travel campaigns in 1989.

wholesalers. The total increased only 4.7 percent from 1987 expenditures. And the record was spotty. The two largest users—insurance and auto parts—increased expenditures by double-digit percentages, while two others in the top 10—electronics/radio/television and heating/air conditioning—entered minus figures.

If the projection of an 11.5 percent increase should prevail for all users, it would bring total expenditures to more than $2.4 billion. The greatest increase would be in sales incentive programs. This would reverse last year's trend, which showed sales incentives up only 3.8 percent while dealer travel added 5.9 percent.

Company salespeople are the major targets of surveyed executives, mentioned by 78 percent. Other travel incentive recipients fall into five categories: retailers, 30 percent; independent sales representatives, 25 percent; wholesalers and distributors, 22 percent; dealer salespeople, 19 percent; distributor salespeople, 15 percent; company nonsales employees, 15 percent, and direct sellers, 13 percent. On average, users direct travel incentives at more than two types of participants.

Respondents are even more diverse in the objectives of their incentive programs, citing an average of almost three different purposes. The ultimate goal of most promotion is to sell more goods or services, and so "increase overall volume" is always the favorite objective in the surveys. But it has declined in recent years as users increasingly look at more specific targets.

In this year's dealer and sales incentive surveys, the push for dollars is selected by 60 percent and 63 percent. Because of the greater length of most programs, travel tends to be an exception; objectives are less pinpointed when the campaign runs for six to 12 months. This survey group seeks to increase total sales as a primary objective in 74 percent of cases.

Travel also is favored more for improving morale and goodwill, the second-ranking objective at 45 percent in the present study. Users often cite the personal rapport between travel qualifiers and management people on a group trip as a major benefit.

Richard A. Mayo, vice president of Pick Heaters Inc., a process equipment distributor in West Bend, Wis., names sales gain as his only goal. He conducts an annual trip for about 40 independent sales representatives. "It is impossible to evaluate the results [except by] hearing our representatives talking about," he notes. "We must compete for their time, and we believe this program increases the time they spend promoting our products."

Group trips are still the predominant practice, but less exclusively so than in the past. In the 1970's, 80 percent to 85 percent of all travel users planned group trips; in the present survey, the figure is 62 percent. Group trips tend to be the rule in most dealer programs, while sales incentive users often give individual awards. Individual trips for salespeople permit use of travel awards by smaller firms, where it is not always feasible to have many people out of the office at one time.

The incentive travel universe is largely peopled by couples, with 92 percent in this survey offering trips for two persons. Sixty-eight percent say they accept unmarried couples.

Budgeting for incentive travel is a fairly complex process—made more so with an open-ended program that provides awards for all who reach specified qualification levels. Despite the uncertainty, this type of program continues to grow in favor as the best motivator. It is now favored by 74 percent of survey respondents, while 26 percent hold to the simpler but potentially discouraging practice of offering trips to a predetermined number of participants. ⟶

■ DESTINATIONS

The most popular cities are listed in order of mentions.

▶ DOMESTIC

395 responses

- 75 – FLORIDA
  - Orlando
  - Marco Island
  - Miami
  - Tampa
  - Key Largo
  - Key West
- 66 – HAWAII
  - Maui
  - Kauai
  - Oahu
- 54 – CALIFORNIA
  - San Francisco
  - Los Angeles
  - San Diego
  - Lake Tahoe
  - Palm Springs
- 27 – ARIZONA
  - Phoenix
  - Carefree
  - Tucson
- 13 – VIRGIN ISLANDS
  - St. Thomas
- 12 – NEW YORK
- 11 – ILLINOIS
  - Chicago
- 11 – LOUISIANA
  - New Orleans
- 11 – TEXAS
  - Dallas
- 9 – PUERTO RICO
- 9 – SOUTH CAROLINA
  - Charleston
  - Hilton Head
- 7 – D.C.
- 7 – MISSOURI
  - St. Louis
  - Lake of the Ozarks
- 7 – TENNESSEE
  - Nashville
- 6 – MASSACHUSETTS
  - Boston
- 5 – VIRGINIA
  - Williamsburg
- 4 – COLORADO
- 3 – MARYLAND
  - Baltimore
- 3 – GEORGIA
  - Atlanta
- 3 – PENNSYLVANIA
  - Philadelphia
- 2 – ALABAMA
- 2 – INDIANA
  - Indianapolis
- 2 – MAINE
- 2 – MICHIGAN
- 2 – OKLAHOMA
- 2 – VERMONT
- 1 – ALASKA
- 1 – IDAHO
- 1 – KENTUCKY
- 1 – NEW HAMPSHIRE
- 1 – NEW JERSEY
- 1 – NEW MEXICO
- 1 – OHIO

▶ FOREIGN

215 responses

131 – WESTERN HEMISPHERE

- 35 – MEXICO
  - Acapulco
  - Cancun
  - Puerto Vallarta
- 26 – BAHAMAS
  - Nassau
  - Paradise Island
- 26 – CRUISES
  - Bahamas
  - Caribbean
- 23 – CARIBBEAN
  - Jamaica
  - St. Maarten
  - Antigua
  - Aruba
- 15 – CANADA
  - Montreal
  - Banff
  - Toronto
- 6 – BERMUDA

60 – EUROPE

- 20 – ENGLAND
  - London
- 7 – FRANCE
  - Paris
- 5 – SWITZERLAND
- 4 – GERMANY
- 4 – ITALY
- 4 – SPAIN
- 3 – DENMARK
  - Copenhagen
- 3 – MONACO
  - Monte Carlo
- 3 – PORTUGAL
- 2 – AUSTRIA
- 1 – IRELAND

10 – SOUTH PACIFIC

- 5 – AUSTRALIA
  - Sydney
- 4 – TAHITI

9 – FAR EAST

- 5 – HONG KONG
- 3 – JAPAN
- 1 – KOREA

5 – AFRICA

- 3 – CANARY ISLANDS
- 2 – EGYPT

Sixty-one percent derive their budgets from a sales forecast and base quotas on that forecast. About 30 percent start with a budget and base quotas on what they think they can afford. Nine percent say they use other means of setting quotas.

The budget is only the beginning of planning a travel incentive program. Fitting a suitable destination to the available dollars and to your audience is among the most important elements.

You cannot please everyone all the time, of course. "Finding a destination that appeals to both top execs who make the final decision and our salespeople who actually win the trip" is a problem for Sharon Montgomery, marketing manager of the Spider Staging Corporation, a Seattle machinery distributor. "A recent cruise contest was very popular among our salespeople," she says, "but top brass were unsupportive and all bowed out at the last minute, asking lower management to represent them on the trip."

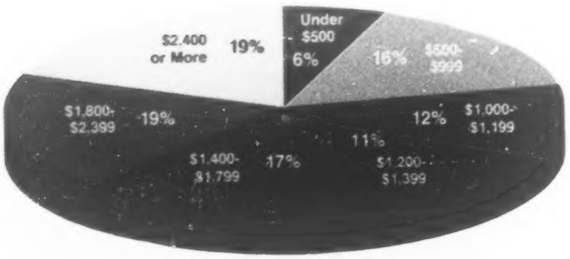
Montgomery takes about 20 people on domestic trips twice a year. About 25 percent of the firm's salespeople qualify, along with their spouses. Business meetings are included in the program.

The entire planning process takes the average company 41 weeks. The range of timetables is wide—from three weeks to three years. The actual selling period for qualification runs up to two years, although a one-year campaign is more common. The average is 29 weeks.

The planning process often includes a trip to the destination site to inspect facilities and walk through the group's stay. Many users share the view of David Jenofsky, vice president of sales for Philadelphia building materials firm Storm Weather Products: "I have been very displeased by trips where I did not previously check out the facilities. I've also been very embarrassed."

For executives who don't have the budget or time for site inspections, Greg Thomas, premium buyer for the Evansville, Ind.-based Credit Thrift Financial Corporation, suggests a partial answer: "more videotape pre-

Cost of Incentive Trip



Average - $1,650 Median - $1,500

TRAVEL INCENTIVE OBJECTIVES

Percentage of respondents reporting

Increase overall volume	74%
Improve morale/good will	45%
Sell new accounts	40%
Introduce new product	27%
Offset competition	23%
Move full line or slow items	22%
Bolster slow season	19%
Support consumer promotion	17%
Build dealer traffic	12%
Prepare for strong season	9%

views of facilities." Thomas plans twice-a-year domestic trips for about 80 salespeople.

"Finding a cost-effective agency to manage the program" is the biggest challenge for Dwight Fish, sales director of the Renaissance Publishing Company, Auburn, Ind. "We are in the middle of a growth cycle...just a bit understaffed to manage in-house and not large enough to let an outside service take over."

For most users, the local travel agent has a slight edge in planning, preferred by 47 percent. Forty-six percent manage their programs in-house. Only 19 percent engage full-service incentive houses, and 17 percent count on the direct services of travel suppliers. (Multiple answers account for a total exceeding 100 percent.)

A promotion is not really over until it has been evaluated against initial objectives. Users have many ways of measuring results; in fact, most surveyed executives use more than one criterion in their evaluations. Toting up dollars or units sold is the most popular measure, used by 64 percent; second choice, used by 42 percent, is the percent of eligible people reaching quota. Twenty-three percent calculate increase in market share, and another 23 percent figure the profit on incremental sales. About 17 percent, based on their sales organization structures, judge branch or district performance.

A common dilemma among users is expressed by an airline executive who has trouble "evaluating whether additional revenue was derived from the incentive program or from other known and unknown sources."

A Midwestern insurance executive laments that his "last contest was a total bust. [The] economy was terrible in many states, and we had no increase as a result of the contest." Market conditions often exert major influence, but many users point out that a zero can be a plus in some circumstances. A heating equipment manufacturer reports a 4 percent market share increase—with a 3 percent decline in sales volume. Clearly, success cannot be measured in a vacuum.

There is nothing like a healthy sales increase to make everyone happy, though—even a skeptical management. Cora M. Lapsins of Transamerica Commercial Finance, Schaumburg, Ill., recently conducted a group trip for 40 company salespeople and their spouses. The incentive program primarily aimed at boosting morale, Lapsins says, but had a substantial sales increase to show for it as well.

"The biggest problem I had," Lapsins says, "was convincing top management that an incentive travel program was not an additional expense but rather an investment in the people of the company that would be paid back tenfold. Our company had never done any incentive travel program before, so it was difficult to persuade them that it would work. But we did it....We achieved a 26 percent increase in sales volume during the contest period. Incentive travel programs do work!" ☐

TRAVEL FACTS IN BRIEF

Programs per year (median)
Domestic: 2
Foreign: 1

Group trips
Users: 62%
Average number of participants: 124
Median number of participants: 50
Average length: 5 nights

Business meetings
Hold meetings: 58%
Average number of hours/trip: 9.3

Buy-ins
Allow buy-in: 35%
Average of buy-in: 26%

Merchandise
Users with travel: 54%

Consumer travel
Users: 18%
Pay for it: 73%
Trade for it: 27%

Decision-makers
President, executive VP, CEO: 71%
Sales/marketing director: 25%
Product/merchandise manager: 2%
Advertising/sales promotion director: 2%
Meeting planner: 1%